



Nebraska Public Power District
Nebraska's Energy Leader

NLS2001070
August 1, 2001

U. S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, DC 20555-0001

Subject: Licensee Guarantees of Payment of Deferred Premiums
Cooper Nuclear Station
NRC Docket No. 50-298, DPR-46

Gentlemen:

In accordance with the requirements of 10 CFR Part 140.21, relative to deferred insurance premiums, the Nebraska Public Power District submits the following information, which we believe demonstrates our ability to obtain funds in the amount of \$10 million for payment of such premiums within the specified three month period.

The Nebraska Public Power District has renewed a Credit Agreement, which is included as an enclosure, with the American National Bank and Trust Company of Chicago, which indicates that said bank will lend the District funds, not to exceed \$5 million as specifically required to pay public liability claims arising from nuclear incidents. This Credit Agreement is valid through July 31, 2002, at which time the District will submit the appropriate documentation to verify the guarantee requirements for the following year.

MidAmerican Energy Company, under the terms of a power purchase contract, has acknowledged its responsibility to assume 50% of the respective premium requirements in an amount not to exceed \$5 million in one year. MidAmerican Energy Company has chosen to utilize the type of guarantee defined in 10 CFR 140.21(e).

Therefore, as enclosures to this letter, we are submitting the following documents in support of the required \$10 million premium.

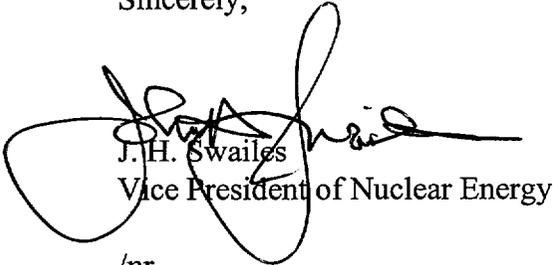
- MidAmerican Energy Company, Inc., 2000 Annual Report to the Securities and Exchange Commission - Form 10-K.
- Credit Agreement between the Nebraska Public Power District and the American National Bank and Trust Company of Chicago.

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We believe that the enclosed information is sufficient to demonstrate our ability to generate the necessary funds required by the deferred premium; however, should you require additional information, please contact David Kunsemiller at 402-825-5236.

Sincerely,



J. H. Swailes
Vice President of Nuclear Energy

/nr

Enclosures

cc: Regional Administrator w/enclosures
USNRC - Region IV

Senior Project Manager w/enclosures
USNRC - NRR Project Directorate IV-1

Senior Resident Inspector w/o enclosures
USNRC

NPG Distribution w/o enclosures

T. L. Bender w/o enclosures

CREDIT AGREEMENT

CREDIT AGREEMENT, dated as of **August 1, 2001**, between NEBRASKA PUBLIC POWER DISTRICT (herein called the "District") and AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO (herein called the "Bank").

The District desires to provide for future borrowings, and the Bank is willing to commit to lend to the District, upon the terms and conditions herein set forth, the aggregate sum of up to \$5,000,000, in such installments and at such times as hereinafter provided, to be evidenced by notes of the District therefor.

In consideration of the foregoing and the covenants and conditions herein contained, the parties hereto agree as follows:

1. Definitions. The following terms shall, for all purposes of this Credit Agreement, have the following meanings:

"Act" shall mean the Public Power and Irrigation District Law, constituting Article 6 of Chapter 70 of the Revised Statutes of Nebraska, as amended and supplemented.

"General Resolution" shall mean the resolution entitled "General Revenue Bond Resolution" adopted by the Board of Directors of the District on June 4, 1998, as supplemented in accordance with the terms thereof.

"General Bonds" shall mean General Revenue Bonds of the District authorized to be issued under the General Resolution.

"Nuclear Facility Resolution" shall mean the resolution entitled "Nuclear Facility Revenue Bond Resolution" adopted by the Board of Directors of the District on August 22, 1968, as supplemented or amended in accordance with the terms thereof.

"Revenue Fund" shall mean the Revenue Fund established in Section 502 of the General Resolution.

"Loans" shall mean the loans provided for in this Credit Agreement.

"Note or Notes" shall mean any note or notes, as the case may be, issued pursuant to this Credit Agreement by the District to evidence any Loan as such note or notes are renewed, replaced, amended or substituted.

"Note Resolution" shall mean the resolution of the District entitled "Resolution Authorizing \$5,000,000 Bank Credit of 2001," adopted **August 9, 2001** authorizing the issuance of the Notes and authorizing the execution and delivery of this Credit Agreement, a true and correct copy of which resolution is annexed hereto as Annex A.

2. Commitment to Lend. The Bank hereby agrees, upon the terms and conditions herein set forth, to make one or more Loans to the District, in accordance with the provisions of this Credit Agreement in an aggregate principal amount up to, but not exceeding \$5,000,000, each Loan to be in the principal amount of not less than \$250,000. The Bank's commitment to loan shall expire on the earlier of: (i) **July, 31, 2002**, or (ii) the occurrence of an event of default under any of the Notes.

3. Borrowings. The District shall give the Bank at least two (2) days prior notice of the date and amount of each borrowing hereunder. Each borrowing pursuant thereto shall take place at the principal office of the Bank at LaSalle and Monroe Streets, Chicago, Illinois. Not later than 11:00 a.m. on the date of each borrowing, the Bank shall, subject to the terms of this Credit Agreement, make available to the District, Federal Reserve or other immediately available funds in the principal amount being borrowed, upon delivery to the Bank of a Note in such principal amount.

4. The Notes. Each Note shall be designated as "NRC Note, Series 2001," shall be payable to the order of American National Bank and Trust Company of Chicago, shall be dated the date of its delivery, shall be payable one year from its date of issue (subject to optional prepayment as provided in Section 8 hereof), and shall bear interest (payable on the first day of each January, April, July and October) on the unpaid principal amount thereof from its date fluctuating at the rate per annum equal to 87% of the rate of interest announced or published publicly from time to time by the Bank as its base rate or equivalent rate of interest. Such interest rate shall be computed on the basis of a 365/366-day year.

The Notes shall be executed on behalf of the District by the manual signature of its Chairman, Vice Chairman, President, Treasurer or Assistant Treasurer and its corporate seal shall be affixed, imprinted, engraved or otherwise reproduced thereon and attested by the manual signature of its Secretary or any Assistant Secretary and shall be otherwise in substantially the form annexed hereto as Annex B.

5. Commitment Fee. The District shall pay to the Bank as a commitment fee contemporaneously with the execution of this Credit Agreement the sum of **\$7,500**.

6. Tax Indemnification.

(i) The parties intend that the Bank shall receive in respect of the Notes amounts equal to the principal thereof and interest thereon as provided hereunder, when due, without deductions, penalties, charges, or withholdings as a result of the imposition of any federal income or similar federal tax imposed on the Bank as a holder of any of the Notes (collectively "Taxes").

Any such Taxes shall be paid by the District. The District will pay the Bank the amounts necessary such that the net amount of the principal and interest received and retained by the Bank is not less than the amount payable under this Agreement had such Taxes not been imposed.

If, notwithstanding the previous two sentences, the Bank pays any such Taxes, the Bank will furnish to the District official tax receipts or evidence of payment of all such Taxes and the District will promptly reimburse the Bank therefor.

(ii) If the Internal Revenue Code of 1986, as amended, (the "Code"), or any other federal income tax law, rule, regulation, or governmental interpretation thereof hereafter enacted, adopted or issued, other than any such change mentioned in (iii) below, when affecting the Bank as a holder of the Notes or compliance by the Bank as a holder of the Notes with such,

(a) subjects the Bank to any tax, duty, charge, or withholding due on the principal of or interest on the Notes or changes the basis of taxation of payments to the Bank in respect of the principal of or interest on the Notes, including, without limitation, the effect of any limitation on the deductibility of interest on the funds obtained to purchase or carry the Notes; or

(b) imposes any other condition or circumstance the result of which is to increase the cost to the Bank of purchasing, funding or carrying the Notes, or reduces any amount receivable by the Bank in connection with the principal of or interest on the Notes or requires the Bank to make any payment calculated by reference to the amount of the Notes or interest received by it in an amount deemed material by the Bank;

then, within thirty days of demand by the Bank, the District shall pay the Bank an amount which will be equal, on an after-tax basis to the Bank (taking into account any taxes payable by the Bank on such amount), to (a) that portion of such increased cost incurred or (b) the amount or reduction in an amount received which the Bank determines is attributable to purchasing, funding or carrying the Notes to the extent of the principal amount thereof outstanding from time to time. The effect of any such increased cost which is imposed on the Bank generally may be allocated to the Notes on any reasonable basis in the discretion of the Bank.

(iii) If at any time or times while the Bank is the Holder of the Notes there is a change in the maximum marginal tax rate (the "Tax Rate") at which the Bank could be taxed for federal income tax purposes, the interest rate on the Notes shall be decreased (in the case of a decrease in the Tax Rate) to an interest rate equal to the product of (i) the interest rate on the Notes in effect immediately prior to a change in the Tax Rate times (2) a fraction (expressed in decimals) the numerator of which is the number one (1) minus the applicable Tax Rate after such change and the denominator of which is the number one (1) minus the Tax Rate which had been in effect prior to such change in the Tax Rate.

(iv) Notwithstanding any of the other provisions of this Agreement, if the District has paid the additional amount specified in (ii) and (iii) above, the District shall not be obligated to pay or reimburse the Bank for any tax on the income of the Bank to the extent that such income tax is attributable to the inclusion in the gross income of the Bank for federal tax purposes of interest on the Notes as if such interest had been timely reported and timely paid.

7. Conditions Precedent to Loans. The Bank shall not be obligated to make any loan unless at the date specified for the making thereof the District delivers to the Bank:

(a) The opinion of the General Counsel to the District, dated as of such date, to the effect that:

(i) There is no litigation pending in any court, either State or Federal, questioning the creation, organization or existence of the District or the validity of this Credit Agreement or the Note being issued to evidence such Loan; and

(ii) The District has the power to borrow the amount being loaned; to execute and deliver this Credit Agreement; to evidence the Loans by its Notes to be made and delivered in accordance herewith, and to perform and observe all of the terms and conditions of this Credit Agreement on its part to be performed and observed; and

(b) A certificate of the Chairman, President, Treasurer, Assistant Treasurer or any Vice Presidents of the District, dated as of such date, to the effect that the representations and warranties of the District contained in Section 15 of this Credit Agreement are true and correct as of such date; and

(c) A certificate of the Chairman, President, Treasurer, Assistant Treasurer or any Vice Presidents of the District, dated as of such date, setting forth the aggregate amount of bonds and notes of the District that will be outstanding immediately after the issuance of the Note then being issued and stating that no default has occurred in the payment of principal of or interest on any indebtedness for borrowed money of the District which remains unsecured; and

(d) The opinion of O'Melveny & Myers LLP, Bond Counsel to the District, dated as of such date, substantially in the form annexed thereto as Annex C;

(e) A Tax and Non-Arbitrage certificate, dated as of such date, in accordance with the provisions of the Code; and

(f) Such additional certificates, instruments and other documents as the Bank or its counsel may deem necessary to effect good delivery of the Note being delivered on such date or evidence the due performance by the District of the conditions precedent hereunder.

8. Optional Prepayment. The District may prepay any Note as a whole or in part, at any time or from time to time, without penalty or premium, by paying to the Bank all or part of the principal amount of the Note to be prepaid, together with the unpaid interest accrued on the amount of principal so prepaid to the date of such prepayment. Each prepayment of a Note shall be made on such date and in such principal amount as shall be specified by the District in a written notice delivered to the Bank not less than 10 days prior thereto. Notice having been

given as aforesaid, the principal amount of the Note stated in such notice or the whole thereof, as the case may be, shall become due and payable on the prepayment date stated in such notice, together with interest accrued and unpaid to the prepayment date on the principal amount then being paid; and the amount of principal and interest then due and payable shall be paid (i) in case the entire unpaid balance of the principal of any Note is to be paid, upon presentation and surrender of such Note to the District or its representative at the principal office of the Bank, and (ii) in case only part of the unpaid balance of principal of any Note is to be paid, upon presentation of such Note at the principal office of the Bank for notation thereon by the Bank of the amount of principal and interest on such Note then paid. If on the prepayment date moneys for the payment of the principal amount to be prepaid on such Note together with interest to the prepayment date on such principal amount, shall have been paid to the Bank as above provided and if notice of prepayment shall have been given to the Bank as above provided, then from and after the prepayment date interest on such principal amount of such Note shall cease to accrue. If said moneys shall not have been so paid on the prepayment date, such principal amount of such Note shall continue to bear interest until payment thereof at the rate provided for in Section 4 of this Credit Agreement.

9. Application of Note Proceeds. The proceeds of the Notes shall be used to pay amounts required to be paid by the District as a result of one or more nuclear incidents, as provided in the Price-Anderson Act, as amended (Pub. L. 94-197, as amended and as compiled in 42 U.S.C. Section 2210 and pertinent subsections of 42 U.S.C. Section 2014, as amended) and certain regulations of the Nuclear Regulatory Commission (10 C.F.R. Part 140, as amended in particular by 42 Fed. Reg. 46-54 (January 3, 1977)) or any act or regulation supplemental thereto or amendatory thereof.

10. Payment. The obligation to pay the principal of and interest on the Notes and the other amounts payable hereunder is a special obligation of the District payable solely from such amounts in the Revenue Fund as may be available therefor; provided, however, that such obligation to pay the principal of and interest on the Notes and the other amounts payable hereunder from amounts in the Revenue Fund shall be subject and subordinated in all respects to the pledge of the Pledged Property (as defined in the General Resolution), by the General Resolution, to the payment of the General Bonds and, provided, further, that the obligation to pay the principal of and interest on the Notes and the other amounts payable hereunder from amounts in the Revenue Fund shall be subject and subordinated to any payments which shall at any time be required to be made from Revenue Fund pursuant to Section 713 of the Nuclear Facility Resolution. The District shall duly and punctually pay or cause to be paid from the Revenue Fund, in Federal Reserve or other immediately available funds, the principal of the Notes, the interest thereon and the other amounts payable hereunder at the dates and place and in the manner provided herein and in the Notes according to the true intent and meaning thereof. If the principal of the Notes becomes due and payable on a Saturday or Sunday or a day which is a Bank holiday, such payment shall be made on the next succeeding Bank business day and the extension of time for payment shall be included in computing interest in connection with such payment.

11. All of the Bank's rights and remedies under this Credit Agreement are cumulative and nonexclusive. The acceptance by the Bank of any partial payment made hereunder after the time when any of District's Loans become due and payable will not establish a custom, or waive any rights of the Bank to enforce prompt payment thereof. The Bank's failure to require strict performance by the District of any provision of this Credit Agreement shall not waive, affect or diminish any right of the Bank thereafter to demand strict compliance and performance therewith. Any waiver of an event of default hereunder shall not suspend, waive or affect any other event of default hereunder.

12. Rate Covenant. The District covenants and agrees with the Bank that so long as any credit shall be available hereunder or any Note or interest thereon is unpaid it shall comply for the benefit of the Bank with requirements of Section 709 of the General Resolution.

13. Negative Covenants of the District. The District, if and so long as credit shall be available hereunder or any Note or interest thereon is unpaid, will not alter, amend or repeal the Note Resolution, or take any action impairing the authority thereby or hereby given with respect to the issuance and payment of the Notes.

14. Tax Covenant. In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Notes, the District shall comply with the provisions of the Code applicable to the Notes, including without limitation the provisions of the Code which prescribe yield and other limits within which the proceeds of the Notes and other amounts are to be invested and require that certain investment earnings on the foregoing be rebated on a periodic basis to the Treasury Department of the United States of America. The District shall not take any action or fail to take any action, which would cause the Notes to be "Arbitrage Bonds" within the meaning of Section 148(a) of the Code.

15. Representations and Warranties. The District represents and warrants that:

(a) The District has the power to borrow the amount provided for in this Credit Agreement; to execute and deliver this Credit Agreement; to evidence the Loans by its Notes to be made and delivered in accordance with the provisions hereof and to perform and observe all of the terms and conditions of this Credit Agreement on its part to be performed and observed;

(b) The making and performance by the District of this Credit Agreement will not violate any provision of the Act, or any bond or note resolution of the District, or any regulation, order or decree of any court, and will not result in a breach of any of the terms of the petition for creation, as amended, of the District or any agreement or instrument to which the District is a party or by which the District is bound; and

(c) The District, by adoption of the Note Resolution has duly authorized the borrowing of the amount provided for in this Credit Agreement, the execution and delivery of this Credit Agreement, and the making and delivery of the Notes to the Bank as herein provided; and to that end the District warrants that it will take all action and will do all things which it is authorized by law to take and to do in order to fulfill all

covenants on its part to be performed and to provide for and to assure payment of the Loans as herein provided.

16. Acceleration of Due Date Upon Default. If one or more of the following events of default shall occur and be continuing:

(a) Default shall occur and be continuing in the payment when due of any principal or interest on any Note;

(b) Any representation or warranty made herein or pursuant hereto shall prove to be untrue in any material respect;

(c) Default shall occur in the performance of any of the other covenants or agreements of the District contained herein or in any note, and the act or omission creating such default shall continue for a period of 30 days after written notice thereof shall have been given to the District; or

(d) Default shall be made in the payment of the principal of or interest on any General Bonds or Nuclear Facility Bonds (as defined under the General Resolution) when due, and as a result of such default, the maturity of such Bonds is accelerated;

then, and in any such event, the Bank shall have the right to declare the principal of and all interest then accrued on all Notes to be due and payable immediately, and upon such declaration the Notes and the interest accrued thereon shall become due and payable, anything in this Credit Agreement or in the Notes contained to the contrary notwithstanding.

17. Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Bank the principal of and interest on the Notes at the times and in the manner stipulated herein, then the covenants, agreements and other obligations of the District hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. If moneys sufficient to pay the principal amount of the Notes and interest thereon until maturity or a date fixed for repayment shall have been paid to the Bank for application to such purpose, the Notes and the interest thereon shall be deemed to have been paid within the meaning and with the effect expressed in this Section. Amounts so set aside and held may be invested in obligations of, or guaranteed by, the United States of America, provided, however, that said obligations shall mature not later than the maturity date of the Notes. All earnings from such investments shall be paid over to the District, as received, free and clear of any trust, lien or pledge.

18. Notices. All notices under this Credit Agreement shall be in writing and written notices shall be deemed to have been duly given if delivered or mailed by registered mail, in the case of the District, at Box 499, Columbus, Nebraska 68601, Attention: President, and in the case of the Bank, at its principal office at 120 South LaSalle Street, Chicago, Illinois 60603-3400, Attention: Steven H. Abbey.

19. Counterparts. This Credit Agreement may be executed in any number of counterparts, and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the District and the Bank have caused this Credit Agreement to be duly signed on their respective behalf by their officers thereunto duly authorized, all as of the date and year first above written.

NEBRASKA PUBLIC POWER DISTRICT

By Ronald D. Asche
Vice President

AMERICAN NATIONAL BANK AND
TRUST COMPANY OF CHICAGO

By [Signature]
First Vice President

Resolution Authorizing \$5,000,000 Bank Credit of 2001

Be it Resolved, by the Board of Directors of Nebraska Public Power District, as follows:

Section 1. Pursuant to the Public Power and Irrigation District Law, Article 6 of Chapter 70 of the Revised Statutes of Nebraska, as amended and supplemented (herein called the "Act"), Nebraska Public Power District (herein called the "District") shall be authorized to enter into a credit agreement (herein called the "Credit Agreement") for one or more loans in an aggregate principal amount up to, but not exceeding, \$5,000,000 from American National Bank and Trust Company of Chicago (herein called the "Bank") in substantially the form submitted at this meeting, to which shall be annexed, as Annex A, a copy of this resolution adopted by the District. Each loan shall be made in the principal amount of not less than \$250,000 on any date on or before **July 31, 2002**; provided that the District shall give the Bank two (2) days prior notice of the date and amount of each borrowing and shall be evidenced by a NRC Note, Series 2000 (herein called a "Note"; all Notes made under the Credit Agreement are herein collectively called the "Notes") of the District in the aggregate principal amount of each loan, which Note shall be issued and delivered by the District to the Bank in the principal amount and on the date of the loan evidenced thereby. Each Note shall be payable to the order of the Bank from the sources set out in Section 10 of the Credit Agreement, shall be dated the date of its delivery, shall be payable one year from its date of issue (subject to optional prepayment as a whole or in part, at any time or from time to time, without penalty or premium, as provided in the Credit Agreement) and shall bear interest (payable on the first day of each January, April, July and October and upon maturity) on the unpaid principal amount thereof from its date fluctuating at the rate per annum equal to 87% of the rate of interest announced or published publicly from time to time by the Bank as its base rate or equivalent rate of interest. Interest is to be computed on the basis of a 365/366-day year. Each Note shall be in substantially the form set forth in Annex B to the Credit Agreement.

Section 2. The proceeds of the Notes shall be applied by the District to the purpose and in the manner provided in Section 9 of the Credit Agreement.

Section 3. The President, any Vice President, the Treasurer, and the Assistant Treasurer of the District are each hereby authorized to execute the Credit Agreement.

Section 4. The Chairman, Vice Chairman, President, any Vice President, Treasurer or Assistant Treasurer of the District are each hereby authorized to execute the Notes. Any of the foregoing officers are hereby authorized to deliver the executed Notes in accordance with the provisions of the Credit Agreement.

Section 5. The Chairman, Vice Chairman, President, Treasurer or Assistant Treasurer of the District and the Secretary or any Assistant Secretary are, and each of them hereby is authorized to do and perform all things and to execute all papers in the name of the District or otherwise, as they deem advisable, and to make all payments, necessary or convenient in their respective opinions, to the end that the District may carry out the objects of this resolution and its obligations under the terms of the Credit Agreement and of the Notes.

(FORM OF NOTE)

NEBRASKA PUBLIC POWER DISTRICT

NRC NOTE, SERIES 2001

No.

\$

FOR VALUE RECEIVED, the undersigned, NEBRASKA PUBLIC POWER DISTRICT (the "District"), a public corporation and political subdivision organized and existing under and by virtue of the laws of the State of Nebraska, hereby promises to pay to the order of American National Bank and Trust Company of Chicago (the "Bank") on _____, 20__ upon presentation and surrender of this Note at the principal office of the Bank, the principal sum of _____ Dollars (\$ _____), in lawful money of the United States of America, and to pay interest (payable on _____, 20__ and quarterly thereafter on the first day of each January, April, July and October and upon maturity) on said principal sum at said office in like money from the date hereof fluctuating at the rate per annum equal to 87% of the rate of interest announced or published publicly from time to time by the Bank as its base rate or equivalent rate of interest. Such interest shall be computed on the basis of a 365/366-day year.

This Note is a special obligation of the District and is one of a duly authorized issue of notes of the District (the "Notes") issued and to be issued under and pursuant to the Public Power and Irrigation District Law of Nebraska, as amended and supplemented (herein called the "Act"), and under and pursuant to a resolution of the District, adopted **August 9, 2001**, entitled Resolution Authorizing \$5,000,000 Bank Credit of 2001 (the "Note Resolution"), and under and pursuant to a Credit Agreement (the "Credit Agreement"), dated as of **August 1, 2001** by and between the District and the Bank.

The obligation to pay the principal of and interest on this Note is a special obligation of the District payable solely from such amounts in the Revenue Fund (as defined in the Credit Agreement) as may be available therefor under the General Revenue Bond Resolution adopted by the District on June 4, 1998 (the "General Resolution"); provided, however, that such obligation to pay the principal of and interest on this Note from the Revenue Fund is subject and subordinated in all respects to the pledge of the Pledged Property (as defined in the General Resolution) to the payment of the Bonds (as defined in the General Resolution) pursuant to the General Resolution; and, provided, further, that the obligation to pay the principal of and interest on this Note from the

Revenue Fund is subject and subordinated to any payments which shall at any time be required to be made from the Revenue Fund pursuant to Section 713 of the Nuclear Facility Resolution (as defined in the General Resolution).

This Note is subject to the terms and conditions contained in the Note Resolution and the Credit Agreement, copies of which are on file at the principal office of the District, and reference is made thereto for a complete statement of such terms and conditions.

The District shall have the right to prepay this Note as a whole or in part, at any time or from time to time, without penalty or premium, in accordance with the terms of the Credit Agreement. The prepayment date and the principal amount of the Note to be prepaid shall be specified by the District in a written notice to the Bank not less than 10 days prior to any prepayment. If on the prepayment date moneys for the payment of the principal amount of this Note to be prepaid, together with interest to the prepayment date on such principal amount, shall have been paid to the Bank as above provided, then from and after the prepayment date interest on such principal amount of this Note shall cease to accrue. If said moneys shall not have been so paid on the prepayment date, such principal amount of this Note shall continue to bear interest as provided above until payment thereof.

This Note is not an obligation of the State of Nebraska and the Act provides that the State of Nebraska shall never pledge its credit or funds, or any part thereof, for the payment or settlement of any indebtedness whatsoever of the District.

IN WITNESS WHEREOF, Nebraska Public Power District has caused this Note to be signed in its name and on its behalf by its President or Vice President or Treasurer or Assistant Treasurer, as of _____ day of _____, 20__.

NEBRASKA PUBLIC POWER DISTRICT

By _____
Vice President

ANNEX C

_____, 20__

Nebraska Public Power District
Columbus, Nebraska

American National Bank and
Trust Company of Chicago
Chicago, Illinois

Gentlemen:

We have examined the record of proceedings relating to the issuance of the \$ _____ NRC Note, Series 2001, No. _____, dated _____, 20__ (the "Note"), of Nebraska Public Power District (the "District"), a body corporate and politic, constituting a public corporation and political subdivision of the State of Nebraska.

The Note is issued under and pursuant to Chapter 70, Article 6, of the Revised Statutes of the State of Nebraska, as amended (the "Act"), and under and pursuant to a Credit Agreement (the "Credit Agreement"), between the District and American National Bank and Trust Company of Chicago (the "Bank"), dated as of **August 1, 2001**, authorized by a resolution (the "Note Resolution") of the District adopted on **August 9, 2001** and entitled "Resolution Authorizing \$5,000,000 Bank Credit of 2001."

The Note is payable to the order of the Bank, matures on _____, 20__ (subject to prepayment in accordance with the terms of the Credit Agreement), and bears interest (payable on _____, 20__ and quarterly thereafter on the first day of January, April, July and October and upon maturity) from its date fluctuating at the rate per annum equal to 87% of the rate of interest announced or published publicly from time to time by the Bank as its base rate or equivalent rate of interest. Such interest rate shall be computed on the basis of a 365/366-day year.

The obligation to pay the principal of and interest on the Note is a special obligation of the District payable solely from such amounts in the Revenue Fund created under the General Revenue Bond Resolution adopted by the District on June 4, 1998 (the "General Resolution as may be available therefor; provided, however, that such obligation to pay the principal of and interest on the Note from the Revenue Fund is subject and subordinated in all respects to the pledge of the Pledged Property (as defined in the General Resolution) to the payment of the Bonds (as defined in the General Resolution) pursuant to the General Resolution; and provided, further, that the obligation to pay the principal of and interest on the Note from the Revenue Fund is subject and subordinated to any payments which shall at any time be required to be made

from the Revenue Fund pursuant to Section 713 of the Nuclear Facility Resolution(as defined in the Credit Agreement).

We are of the opinion that:

1. The District is duly created and validity existing under the provisions of the Act, with power to adopt the Note Resolution, to enter into the Credit Agreement, to issue the Note thereunder and to make and perform the covenants contained in the Credit Agreement.

2. The Note Resolution has been duly adopted by the District, is in full force and effect and is valid and binding on the District and enforceable in accordance with its terms, and the Credit Agreement has been duly authorized and executed by the District, is in full force and effect, is valid and binding upon the District and enforceable in accordance with its terms.

3. The Note has been duly authorized and issued by the District in accordance with law and in accordance with the Note Resolution and the Credit Agreement, and is a valid binding and direct obligation of the District enforceable in accordance with its terms and entitled to the benefit of the Act and of the Credit Agreement.

4. The Internal Revenue Code of 1986 as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Note for interest thereon to be and remain excluded from gross income for purposes of federal income taxation. Noncompliance with such requirements may cause interest on the Note to be included in gross income retroactive to the date of issue of the Note. The District has covenanted to comply with such requirements.

In our opinion, under existing law, and assuming compliance with the aforementioned covenant, interest on the Note is excluded from gross income for federal and State of Nebraska income tax purposes. The Note is not a "specified private activity bond" within the meaning of Section 57(a) (5) of the Code and, therefore, the interest of the Note will not be treated as a preference item for purposes of computing the federal alternative minimum tax imposed by Section 55 of the Code. However, we note a portion of the interest on the Note owned by corporations may be subject to the federal alternative minimum tax, which is based in part on adjusted current earnings.

Except as stated in the preceding two paragraphs, we express no opinion as to any federal or state tax consequences of the ownership of, receipt of interest on, or disposition of the Note.

The opinions contained in paragraphs 2 and 3 above are qualified to the extent that the enforceability of the Note Resolution, the Credit Agreement and the Note, respectively, may be

limited by any applicable bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights.

We have examined the Note, as executed, and, in our opinion, the form of said Note and its execution are regular and proper.

Very truly yours,

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

FORM 10-K/A
Amendment No. 1

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2000

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

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

<u>Title of Each Class</u>	<u>Name of each Exchange On which Registered</u>
7.98% MidAmerican Energy Company - Obligated Preferred Securities of Subsidiary Trust	New York Stock Exchange

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

Preferred Stock, \$3.30 Series, no par value
Preferred Stock, \$3.75 Series, no par value
Preferred Stock, \$3.90 Series, no par value
Preferred Stock, \$4.20 Series, no par value
Preferred Stock, \$4.35 Series, no par value
Preferred Stock, \$4.40 Series, no par value
Preferred Stock, \$4.80 Series, no par value
Preferred Stock, \$5.25 Series, no par value
Preferred Stock, \$7.80 Series, no par value

Title of each Class

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

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

All common stock of MidAmerican Energy Company is held by MHC Inc. As of February 20, 2001, 70,980,203 shares of common stock, without par value, were outstanding.

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

MIDAMERICAN ENERGY COMPANY

2000 Annual Report on Form 10-K

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PART I

ITEM 1. BUSINESS

(a) General Overview

MidAmerican Energy Company is a public utility company headquartered in Des Moines, Iowa, and incorporated in the state of Iowa. MidAmerican Energy was formed on July 1, 1995, as a result of the merger of Iowa-Illinois Gas and Electric Company, Midwest Resources Inc. and Midwest Power Systems Inc. On December 1, 1996, MidAmerican Energy became, through a corporate reorganization, a wholly owned subsidiary of MHC Inc., formerly known as MidAmerican Energy Holdings Company.

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

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

CHANGES IN THE UTILITY INDUSTRY AND MIDAMERICAN ENERGY

The electric utility industry continues to undergo regulatory change. Traditionally, prices charged by electric utility companies have been regulated by federal and state commissions and have been based on cost of service. In recent years, changes have been occurring that move the electric utility industry toward a more competitive, market-based pricing environment. These changes will have a significant impact on the way MidAmerican Energy does business. Refer to the discussions under "Industry Evolution" and "Legislative and Regulatory Evolution" in the "Operating Activities and Other Matters" section of MD&A in Part IV, Item 14 of this Form 10-K.

A substantial majority of MidAmerican Energy's retail business still operates in a rate-regulated environment and, accordingly, many decisions for obtaining and using resources are evaluated from an electric and gas regulated business perspective. MidAmerican Energy also manages its operations as four distinct business units: generation, transmission, energy distribution and retail. It is under this framework that MidAmerican Energy believes it can best prepare for, and succeed in, the energy business of the future. With these four business units, MidAmerican Energy is better able to focus on the specific needs and anticipated risks and opportunities of its major businesses. Certain administrative functions are handled by a corporate services group which supports all of the business units.

Presently, significant functions of the generation business unit include the production of electricity, the purchase of electricity and natural gas, and the sale of wholesale electricity and natural gas. The transmission business unit coordinates all activities related to MidAmerican Energy's electric transmission facilities, including monitoring access to and assuring the reliability of the transmission system. The energy distribution business unit distributes electricity and natural gas to end-users, provides customer service and conducts related activities. Retail includes marketing and related functions for core and complementary products and services.

(b) Financial Information About Industry Segments

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

(c) Description of Business

MidAmerican Energy is the largest energy company headquartered in Iowa, with assets and 2000 revenues totaling \$3.8 billion and \$2.3 billion, respectively. MidAmerican Energy is principally engaged in the business of generating, transmitting, distributing and selling electric energy and in distributing, selling and transporting natural gas. MidAmerican Energy distributes electricity at retail in Council Bluffs, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa, the Quad Cities (Davenport and Bettendorf, Iowa and Rock Island, Moline and East Moline, Illinois) and a number of adjacent communities and areas. It also distributes natural gas at retail in Cedar Rapids, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa; the Quad Cities; Sioux Falls, South Dakota; and a number of adjacent communities and areas. As of December 31, 2000, MidAmerican Energy had 669,000 retail electric customers and 646,500 retail natural gas customers.

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

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

MidAmerican Energy has a residential, agricultural, commercial and diversified industrial customer group, in which no single industry or customer accounted for more than 4% of its total 2000 electric operating revenues or 2% of its total 2000 gas operating margin. Among the primary industries served by MidAmerican Energy are those which are concerned with the manufacturing, processing and fabrication of primary metals, real estate, food products, farm and other non-electrical machinery, and cement and gypsum products.

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

For the year ended December 31, 2000, MidAmerican Energy derived approximately 52% of its gross operating revenues from its regulated electric business, 28% from its regulated gas business and 20% from its nonregulated business activities. For 1999 and 1998, the corresponding percentages were 66%

electric, 25% gas and 9% nonregulated; and 69% electric, 25% gas and 6% nonregulated, respectively. The change in revenue mix for 2000 was driven by an increase in natural gas prices and in nonregulated natural gas sales activity.

Historical electric sales by customer class as a percent of total electric sales and retail electric sales data by state as a percent of total retail electric sales are shown below:

Total Electric Sales By Customer Class			
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Residential	20.7%	21.0%	22.2%
Small General Service	15.9	16.7	17.5
Large General Service	28.6	26.9	28.1
Other	5.4	4.5	4.4
Sales for Resale	<u>29.4</u>	<u>30.9</u>	<u>27.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Retail Electric Sales By State			
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Iowa	89.3%	88.9%	88.4%
Illinois	10.0	10.4	10.9
South Dakota	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Refer to Nonregulated Operations for a discussion of electric supplier choice in Illinois.

Historical regulated gas sales, excluding transportation throughput, by customer class as a percent of total gas sales and by state as a percent of total retail gas sales are shown below:

Total Regulated Gas Sales By Customer Class			
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Residential	64.0%	63.5%	62.0%
Small General Service	31.8	32.2	33.2
Large General Service	4.0	4.0	3.8
Other	<u>0.2</u>	<u>0.3</u>	<u>1.0</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Retail Gas Sales
By State

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Iowa	78.0%	78.8%	79.0%
Illinois	10.2	10.3	10.2
South Dakota	11.0	10.1	10.1
Nebraska	<u>0.8</u>	<u>0.8</u>	<u>0.7</u>
 Total	 <u>100.0%</u>	 <u>100.0%</u>	 <u>100.0%</u>

There are seasonal variations in MidAmerican Energy's electric and gas businesses which are principally related to the use of energy for air conditioning and heating. In 2000, 38% of MidAmerican Energy's electric revenues were reported in the months of June, July, August and September, and 56% of MidAmerican Energy's gas revenues were reported in the months of January, February, March and December.

At December 31, 2000, MidAmerican Energy had 3,720 full-time employees of which 1,740 were covered by union contracts. MidAmerican Energy has five separate contracts with locals of the International Brotherhood of Electrical Workers (IBEW), the United Association of Plumbers and Pipefitters and the United Paper Workers International Union. One contract with IBEW locals 109 and 499 expires February 29, 2004, and covers 1,664 employee members.

REGULATED ELECTRIC OPERATIONS

The annual hourly peak demand on MidAmerican Energy's electric system occurs principally as a result of air conditioning use during the cooling season. In September 2000, MidAmerican Energy recorded an hourly peak demand of 3,648 MW, which was 185 MW less than MidAmerican Energy's record hourly peak of 3,833 MW set in July 1999.

MidAmerican Energy's accredited net generating capability in the summer of 2000 was 4,507 MW. Accredited net generating capability represents the amount of generation available to meet the requirements on MidAmerican Energy's system, net of the effect of capacity purchases and sales, and consists of MidAmerican Energy-owned generation and generation under a long-term power purchase contract. The net generating capability at any time may be less than it would otherwise be due to regulatory restrictions, fuel restrictions and generating units being temporarily out of service for inspection, maintenance, refueling or modifications. Refer to Item 2, Properties, for detail of the accredited net generating capability for the summer of 2000.

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

Each Power Pool participant is required to maintain for emergency purposes a net generating capability reserve of at least 15% above its system peak demand. If a participant's capability reserve falls

below the 15% minimum, significant penalties could be contractually imposed by the Power Pool. MidAmerican Energy's reserve margin at peak demand for 2000 was approximately 25%.

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

The Federal Energy Regulatory Commission in its Order No. 2000 requires transmission owners, like MidAmerican Energy, to transfer control of transmission operations to a regional transmission organization. On October 16, 2000, MidAmerican Energy filed with FERC a plan for MidAmerican Energy to comply with Order No. 2000 by participating in the formation of a for-profit independent transmission company. MidAmerican Energy continues in its effort to form such a company.

Fuel Supply for Electric Operations

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

	Year Ended December 31,		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Coal	75.9%	70.9%	79.2%
Nuclear*	23.6	28.2	19.5
Gas	0.3	0.7	1.1
Oil/Hydro	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

*Nuclear includes generation purchased through a long-term power purchase agreement with Nebraska Public Power District. Refer to Item 2, Properties, for detail of generating facilities.

Prior to July 1997, MidAmerican Energy was allowed to recover its energy costs relating to retail sales from its electric utility customers through energy adjustment clauses. Beginning in July 1997, the Iowa energy adjustment clause was eliminated as part of the Iowa pricing plan approved by the Iowa Utilities Board. Accordingly, fluctuations in energy costs now may affect MidAmerican Energy's earnings.

All of the coal-fired generating stations operated by MidAmerican Energy are fueled by low-sulfur, western coal from the Powder River Basin and Hanna Basin mines. The use of low-sulfur western coal enables MidAmerican Energy to comply with the current acid rain provisions of the Clean Air Act Amendments of 1990 without having to install additional costly emissions control equipment at its generating stations or purchase additional emissions credits. MidAmerican Energy's coal supply portfolio includes multiple suppliers and mines under agreements of varying term and quantity flexibility. MidAmerican Energy regularly monitors the western coal market, looking for opportunities to improve its coal supply portfolio. MidAmerican Energy believes its sources of coal supply are and will continue to be satisfactory. Additional information regarding MidAmerican Energy's coal supply contracts is included in Note (4)(g) of Notes to Consolidated Financial Statements in Part IV, Item 14, of this Form 10-K.

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

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

MidAmerican Energy is a 25% joint owner of Quad Cities Generating Station, a nuclear power plant. Exelon Generation Company, LLC, the other joint owner and the operator of Quad Cities Station, is a subsidiary of Exelon Corporation. Exelon is the result of a merger in October 2000 of Unicom Corporation and PECO Energy Company. Commonwealth Edison, a subsidiary of Unicom, was the former operator and joint owner of Quad Cities Station.

Approximately one-third of the nuclear fuel in the core at Quad Cities Station Units 1 and 2 is replaced every 24 months. Units 1 and 2 had refueling outages in October and January 2000, respectively.

MidAmerican Energy has been advised by Exelon Generation that the majority of its uranium concentrate and uranium conversion requirements for Quad Cities Station through 2001 can be met under existing supplies or commitments. Exelon Generation foresees no problem in obtaining the remaining requirements now or obtaining future requirements. Exelon Generation further advises that all enrichment requirements have been contracted through 2004. Commitments for fuel fabrication have been obtained at least through 2006. Exelon Generation does not anticipate that it will have difficulty in contracting for uranium concentrates for conversion, enrichment or fabrication of nuclear fuel needed to operate Quad Cities Station.

MidAmerican Energy purchases one-half of the power and energy of Cooper Nuclear Station through a long-term power purchase contract with Nebraska Public Power District. Approximately 25% of the fuel in the core at Cooper must be replaced every 18 months. A refueling outage occurred in March 2000. Nebraska Public Power District has informed MidAmerican Energy that it either has sufficient materials and services available to meet foreseeable Cooper requirements or that such materials and services are readily available from suppliers.

Under the Nuclear Waste Policy Act of 1982, the U.S. Department of Energy is responsible for the selection and development of repositories for, and the permanent disposal of, spent nuclear fuel and high-level radioactive wastes. Exelon Generation and Nebraska Public Power District, as required by the Nuclear Waste Act, each signed a contract with the Department of Energy to provide for the disposal of spent nuclear fuel and high-level radioactive waste beginning not later than January 1998. The Department of Energy did not begin receiving spent nuclear fuel on the scheduled date, and it is expected that the schedule will be significantly delayed. The costs incurred by the Department of Energy for disposal activities are being financed by fees charged to owners and generators of the waste. The Nebraska Public Power District has informed MidAmerican Energy that there is on-site storage capability at Cooper sufficient to permit such interim storage at least through 2004, the remaining term of the long-term power purchase contract. Exelon Generation has informed MidAmerican Energy that existing on-site storage capability at Quad Cities Station is sufficient to permit interim storage into 2006. Meeting spent nuclear fuel storage requirements at Quad Cities Station beyond such time could require modifications to the spent

fuel storage pools or new and separate storage facilities. For Quad Cities Station, Exelon Generation has informed MidAmerican Energy that they plan to develop interim spent fuel storage installation at Quad Cities Station to store additional spent nuclear fuel in dry casks.

REGULATED NATURAL GAS OPERATIONS

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

MidAmerican Energy also transports through its distribution system natural gas purchased independently by a number of end-use customers. During 2000, approximately 44% of total gas delivered on MidAmerican Energy's system was under gas transportation service.

Fuel Supply and Capacity

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

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

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

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

On February 2, 1996, MidAmerican Energy had its highest peak-day delivery of 1,143,026 MMBtus. This peak-day delivery consisted of approximately 88% traditional sales service and 12% transportation service of customer-owned gas. MidAmerican Energy's 2000/2001 winter heating season

peak-day delivery of 1,037,287 MMBtus was reached on December 21, 2000. This peak-day delivery included approximately 76% traditional sales service and 24% transportation service.

The supply sources utilized by MidAmerican Energy to meet its 2000/2001 peak-day deliveries to its traditional sales service customers were:

	Thousands of <u>MMBtus</u>	Percent of <u>Total</u>
Leased Storage and Peak Shaving Plants	217.6	27.6%
Firm Supply	<u>569.5</u>	<u>72.4</u>
Total	<u>787.1</u>	<u>100.0%</u>

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

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

NONREGULATED OPERATIONS

MidAmerican Energy's nonregulated operations include a variety of activities outside of the traditional regulated electric and gas services. A majority of MidAmerican Energy's nonregulated revenue is generated by its nonregulated natural gas marketing services. MidAmerican Energy purchases gas from producers and third party marketers and sells it to wholesalers and end-users. Beginning in May 1998, contracts previously serviced by a nonregulated subsidiary of MHC were renewed as MidAmerican Energy contracts, creating a significant increase in these operations at MidAmerican Energy. In addition, MidAmerican Energy manages gas supplies for a number of commercial end-users and sells these customers gas to meet their supply requirements. Sales volumes for these nonregulated gas marketing services totaled 90 million MMBtus, 58 million MMBtus and 39 million MMBtus for 2000, 1999 and 1998, respectively.

MidAmerican Energy's nonregulated revenues reflect revenues from its market access service project, which began in the third quarter of 1999. The pilot project allows larger Iowa customers that are participating in the project to choose their electric power supplier. MidAmerican Energy's revenues from project participants related to non-supply services, such as distribution and transmission, continue to be reflected in regulated electric revenues.

In Illinois beginning October 1, 1999, larger non-residential customers and 33% of the remaining non-residential customers were allowed to select their provider of electric supply services. All other non-residential customers were allowed supplier choice starting December 31, 2000. Residential customers all

receive the opportunity to select their electric supplier beginning May 1, 2002. MidAmerican Energy's nonregulated revenues include agency fees and other revenues related to these supply services.

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

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

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Nonregulated wholesale gas	\$337	\$135	\$ 89
Nonregulated retail gas	71	1	1
Nonregulated retail electric	21	11	-
Other	<u>20</u>	<u>11</u>	<u>18</u>
	<u>\$449</u>	<u>\$158</u>	<u>\$108</u>

REGULATION

General Utility Regulation

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

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

Rate Regulation

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

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

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

In December 1997, Illinois enacted a law to restructure Illinois' electric utility industry. The law changes how and what electric services are regulated by the Illinois Commerce Commission and transitions portions of the traditional electric services to a competitive environment. In general, the law limits the Illinois Commerce Commission's regulatory authority over a utility's generation and also relaxes its regulatory authority over many corporate transactions, such as the transfer of generation assets to affiliates. Special authority and limitations of authority apply during the transition to a competitive marketplace. Also, the law permits utilities to eliminate their fuel adjustment clauses and incorporates provisions by which earnings in excess of allowed amounts are either partially refunded to customers or are used to accelerate a company's regulatory asset cost recovery. Electric rates are frozen, subject to certain exceptions, until 2005.

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

Iowa law requires electric and gas utilities to spend a portion of their annual Iowa jurisdictional revenues on energy efficiency programs. Utilities are allowed to recover the cost of energy efficiency programs from their customers, subject to Iowa Utilities Board review. MidAmerican Energy is recovering its historical energy efficiency program costs, which were deferred until recovery in accordance with prior energy efficiency regulations. MidAmerican Energy is also recovering the current costs of its ongoing energy efficiency programs. Refer to the discussion under "Energy Efficiency" in the "Operating Activities and Other Matters" section of MD&A in Part IV, Item 14 of this Form 10-K.

Nuclear Regulation

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

Under the terms of a long-term power purchase contract with Nebraska Public Power District, or NPPD, MidAmerican Energy has contracted to purchase through September 21, 2004, one-half of the power and energy from Cooper, which is located near Brownville, Nebraska. MidAmerican Energy pays for one-half of the fixed and operating costs of Cooper (excluding depreciation but including debt service) and MidAmerican Energy's share of fuel costs (including the DOE disposal fee) based upon energy delivered. MidAmerican Energy is not subject to the jurisdiction of the Nuclear Regulatory Commission with respect to Cooper and the long-term power purchase contract with Nebraska Public Power District.

Nebraska Public Power District, as the sole owner, licensee and operator of Cooper, is thereby the only entity subject to the jurisdiction of the Nuclear Regulatory Commission with respect to Cooper. Under the terms of the long-term power purchase contract, Nebraska Public Power District is required to assure that Cooper is in compliance with all of the Nuclear Regulatory Commission regulations.

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

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

The Nuclear Regulatory Commission also regulates the decommissioning of nuclear power plants including the planning and funding for the eventual decommissioning of the plants. In response to these regulations, MidAmerican Energy submitted a report to the Nuclear Regulatory Commission in July 1990, and every two years thereafter, providing "reasonable assurance" that funds will be available to pay the costs of decommissioning its share of Quad Cities Station. Nebraska Public Power District has advised MidAmerican Energy that a report addressing decommissioning funding for Cooper has been submitted to the Nuclear Regulatory Commission.

MidAmerican Energy has established external trusts for the investment of funds collected for nuclear decommissioning associated with Quad Cities Station. Nebraska Public Power District maintains an internal account and an external trust for decommissioning funds associated with Cooper to which MidAmerican Energy has made contributions. Electric tariffs currently in effect include provisions for annualized collection of estimated decommissioning costs at Quad Cities Station and Cooper. In Illinois, Cooper nuclear decommissioning costs are included in customer billings through a mechanism that permits annual adjustments. In Iowa, Quad Cities Station and Cooper decommissioning costs are reflected in base rates. MidAmerican Energy's cost related to decommissioning funding in 2000 was \$19.8 million. Refer to "Cooper Litigation" under "Legal Proceedings" in Part I, Item 3 of this form 10-K for discussion of a proceeding related to the Cooper power purchase agreement.

Environmental Regulations

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

State and federal environmental laws and regulations currently have, and future modifications may have, the effect of (i) increasing the lead time for the construction of new facilities, (ii) significantly increasing the total cost of new facilities, (iii) requiring modification of MidAmerican Energy's existing facilities, (iv) increasing the risk of delay on construction projects, (v) increasing MidAmerican Energy's

cost of waste disposal and (vi) reducing the reliability of service provided by MidAmerican Energy and the amount of energy available from MidAmerican Energy's facilities. Any of such items could have a substantial impact on amounts required to be expended by MidAmerican Energy in the future.

Air Quality -

The Clean Air Act Amendments of 1990 were signed into law in November 1990. Essentially all utility generating units are subject to the provisions of those amendments which address continuous emissions monitoring, permit requirements and fees and emissions of certain substances. MidAmerican Energy has five jointly owned and six wholly owned coal-fired generating units, which represent approximately 65% of MidAmerican Energy's electric generating capability. MidAmerican Energy's generating units meet all requirements under Title IV of the Clean Air Act Amendments of 1990. Title IV, which is also known as the Acid Rain Program, sets forth requirements for the emission of sulfur dioxide and nitrogen oxides at electric utility generating stations.

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

Water Quality -

Under the Federal Water Pollution Control Act Amendments of 1972, as amended, MidAmerican Energy is required to obtain National Pollutant Discharge Elimination System permits to discharge effluents (including thermal discharges) from its properties into various waterways. The permits are subject to renewal after specified time periods not to exceed five years. MidAmerican Energy has obtained all necessary National Pollutant Discharge Elimination System permits for its generating stations.

Hazardous Materials and Waste Management -

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

MidAmerican Energy estimates the range of possible costs for investigation, remediation and monitoring for these sites to be \$22 million to \$68 million. MidAmerican Energy is evaluating or has evaluated 27 properties which were, at one time, sites of gas manufacturing plants in which MidAmerican Energy may be a potentially responsible party. MidAmerican Energy's estimate of the probable cost for these sites as of December 31, 2000, was \$24 million. The Illinois Commerce Commission has approved the use of a tariff rider which permits recovery of the actual costs of litigation, investigation and remediation relating to former manufactured gas plant sites. MidAmerican Energy's present rates in Iowa provide for a fixed annual recovery of manufactured gas plant costs.

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

Pursuant to the Toxic Substances Control Act, a federal law administered by the EPA, MidAmerican Energy developed a comprehensive program for the use, handling, control and disposal of all polychlorinated biphenyls, referred to herein as PCBs, contained in electrical equipment. The future use of equipment containing PCBs will be minimized. Capacitors, transformers and other miscellaneous

equipment are being purchased with a non-PCB dielectric fluid. MidAmerican Energy's exposure to PCB liability has been reduced through the orderly replacement of a number of such electrical devices with similar non-PCB electrical devices.

Other -

A number of studies have examined the possibility of adverse health effects from electric and magnetic fields without conclusive results. Electric and magnetic fields are produced by all devices carrying or using electricity, including transmission and distribution lines and home appliances. MidAmerican Energy cannot predict the effect on construction costs of electric utility facilities or operating costs if electric and magnetic field regulations were to be adopted. Although MidAmerican Energy is not the subject of any suit involving electric and magnetic fields, litigation has been filed in a number of jurisdictions against a variety of defendants alleging that electric and magnetic fields had an adverse effect on health. If such litigation were successful, the impact on MidAmerican Energy and on the electric utility industry in general could be material.

In December 1997, negotiators from more than 150 nations met in Kyoto, Japan to negotiate an international agreement designed to address global climate change impacts by attempting to reduce so-called greenhouse gas emissions. Some scientists contend that these gases build up in the Earth's atmosphere and cause global temperatures to rise. The primary target of these emissions is carbon dioxide, or CO₂, which is formed by, among other things, the combustion of fossil fuels. The agreement currently calls for the United States to reduce its emissions of CO₂ and other greenhouse gases to 7 percent below 1990 levels in the 2008-2012 time frame. The United States became a signatory to the agreement on November 12, 1998. In order for the agreement to become binding upon the United States, ratification by the U.S. Senate is necessary. The cost to MidAmerican Energy of reducing its CO₂ emissions levels by 7 percent below 1990 levels would depend on available technology at the time, but could be material.

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

ITEM 2. PROPERTIES

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

The net accredited generating capacity of MidAmerican Energy, along with participation purchases and sales, net are shown for summer 2000 accreditation.

<u>Plant</u>	<u>Percent Ownership</u>	<u>Fuel</u>	<u>Company's Share of Accredited Generating Capability (MW)</u>
Steam Electric Generating Plants:			
Council Bluffs Energy Center			
Unit No. 1	100.0	Coal	43
Unit No. 2	100.0	Coal	88
Unit No. 3	79.1	Coal	534
George Neal Station			
Unit No. 1	100.0	Coal	135
Unit No. 2	100.0	Coal	300
Unit No. 3	72.0	Coal	371
Unit No. 4	40.6	Coal	261
Louisa Unit	88.0	Coal	616
Ottumwa Unit	52.0	Coal	372
Riverside Station			
Unit No. 3	100.0	Coal	5
Unit No. 5	100.0	Coal	130
			<u>2,855</u>
Combustion Turbines:			
Coralville - 4 units	100.0	Gas/Oil	64
Electrifarm - 3 units	100.0	Gas/Oil	200
Moline - 4 units	100.0	Gas/Oil	64
Parr - 2 units	100.0	Gas/Oil	32
Pleasant Hill Energy Center - 3 units	100.0	Oil	160
River Hills Energy Center - 8 units	100.0	Gas/Oil	120
Sycamore Energy Center - 2 units	100.0	Gas/Oil	149
			<u>789</u>
Nuclear:			
Cooper (1)	(1)	Nuclear	379
Quad Cities Station			
Unit No. 1	25.0	Nuclear	190
Unit No. 2	25.0	Nuclear	193
			<u>762</u>
Hydro:			
Moline - 4 units	100.0	Water	3
Portable Power Modules – 28 units	100.0	Oil	56
			<u>56</u>
Net Accredited Generating Capacity			4,465
Participation Purchases and Sales, Net			42
Total Net Accredited Generating Capability			<u>4,507</u>

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

The electric transmission system of MidAmerican Energy at December 31, 2000, included 897 miles of 345-kV lines and 1,110 miles of 161-kV lines.

The gas distribution facilities of MidAmerican Energy at December 31, 2000, included 20,259 miles of gas mains and services.

Substantially all the former Iowa-Illinois Gas and Electric Company utility property and franchises, and substantially all of the former Midwest Power Systems electric utility property located in Iowa, or approximately 80% of gross utility plant, is pledged to secure mortgage bonds.

ITEM 3. LEGAL PROCEEDINGS

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

Environmental Matters

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

Cooper Litigation

On July 23, 1997, Nebraska Public Power District filed a complaint, in the United States District Court for the District of Nebraska, naming MidAmerican Energy as the defendant and seeking declaratory judgment as to three issues under the parties' long-term power purchase agreement for Cooper capacity and energy. More specifically, Nebraska Public Power District sought a declaratory judgment in the following respects:

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

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

- (1) that MidAmerican Energy has no duty under the power purchase agreement to reimburse or pay 50% of the decommissioning costs unless conditions to reimbursement occur;
- (2) that Nebraska Public Power District has the duty to repay all amounts that MidAmerican Energy has prefunded for decommissioning in the event the Nebraska Public Power District operates the plant after the term of the power purchase agreement;

- (3) that Nebraska Public Power District is equitably estopped from continuing to operate the plant after the term of the power purchase agreement;
- (4) that Nebraska Public Power District has granted MidAmerican Energy an option to continue taking 50% of the power from the plant;
- (5) that the term "monthly power costs" as defined in the power purchase agreement does not include costs and expenses associated with decommissioning the plant;
- (6) that MidAmerican Energy has no duty to pay for nuclear fuel, operations and maintenance projects or capital improvements that have useful lives after the term of the power purchase agreement;
- (7) that transition costs are not included in any decommissioning costs and expenses;
- (8) that Nebraska Public Power District has breached its duty to MidAmerican Energy in making investments of decommissioning funds;
- (9) that reserves in named accounts are excessive and should be refunded to MidAmerican Energy; and
- (10) that Nebraska Public Power District must credit MidAmerican Energy for payments by MidAmerican Energy for low-level radioactive waste disposal.

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

MidAmerican Energy appealed the court's summary judgment ruling. On December 12, 2000, the United States Court of Appeals for the Eighth Circuit reversed the ruling of the district court and granted summary judgment in favor of MidAmerican Energy issues one and five in the second paragraph above. Additionally, it remanded the case for trial on all other claims and counterclaims. It is not likely that a trial will occur prior to late spring or early summer of 2001.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None.

PART II

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

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

ITEM 6. SELECTED FINANCIAL DATA

Reference is made to Part IV of this report.

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

Reference is made to Part IV of this report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Reference is made to the "Quantitative and Qualitative Disclosure About Market Risk" Section of MD&A in Part IV, Item 14, of this report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to Part IV of this report.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

(a) Identification

<u>Name</u>	<u>Age</u>	<u>Present Position</u>	<u>Served in Present Position Since</u>	<u>Served as Director Since</u>
David L. Sokol	44	Chairman and Director	1999	1999
Gregory E. Abel	38	Chief Executive Officer and Director	1999	1999
Ronald W. Stepien	54	President and Director	1999	1996
Jack L. Alexander	53	Senior Vice President	1998	
Patrick J. Goodman	34	Senior Vice President, Chief Financial Officer and Director	1999	1999
Keith D. Hartje	51	Senior Vice President	1999	
Steven A. McArthur	43	Senior Vice President and Director	1999	1999

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

(b) Business Experience

David L. Sokol

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

Gregory E. Abel

Chief Executive Officer and Director of MidAmerican Energy since March 1999. Mr. Abel joined MidAmerican Energy Holdings in 1992. Mr. Abel is a Chartered Accountant and from 1984 to 1992 he

was employed by PriceWaterhouse. As a Manager in the San Francisco office of PriceWaterhouse, he was responsible for clients in the energy industry.

Ronald W. Stepien

President of MidAmerican Energy since November 1, 1998 and Director since 1996. Mr. Stepien served as Executive Vice President of MidAmerican Energy from November 1, 1996, to October 31, 1998, and Group Vice President from 1995 to November 1, 1996. Formerly, Mr. Stepien served as Vice President of Iowa-Illinois Gas and Electric from 1990 to 1995.

Jack L. Alexander

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

Patrick J. Goodman

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

Keith D. Hartje

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

Steven A. McArthur

Senior Vice President and Director of MidAmerican Energy since March 1999. Mr. McArthur joined MidAmerican Energy Holdings in February 1991. From 1988 to 1991 he was an attorney in the Corporate Finance Group at Shearman & Sterling in San Francisco. From 1984 to 1988 he was an attorney in the Corporate Finance Group at Winthrop, Stimson, Putnam & Roberts in New York.

ITEM 11. EXECUTIVE COMPENSATION

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

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND
MANAGEMENT**

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

PART IV

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

(a)1. Financial Statements (included herein)

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Consolidated Statements of Comprehensive Income For the Years Ended December 31, 2000, 1999 and 1998	44
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Consolidated Statements of Retained Earnings For the Years Ended December 31, 2000, 1999 and 1998	48
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(a)2. Financial Statement Schedules (included herein)

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

	<u>Page No.</u>
MidAmerican Energy Company Consolidated Valuation and Qualifying Accounts (Schedule II)	75

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

(a)3. Exhibits

See Exhibit Index on page 77.

(b) Reports on Form 8-K

None.

MIDAMERICAN ENERGY COMPANY
SELECTED CONSOLIDATED FINANCIAL DATA
(In thousands)

	December 31				
	2000	1999	1998	1997	1996
Income Statement Data:					
Revenues.....	\$2,318,189	\$1,791,036	\$1,707,189	\$1,727,855	\$1,674,353
Operating income	338,756	300,064	280,920	287,309	366,174
Net income from continuing operations..	165,456	127,331	115,593	125,941	165,132
Earnings on common from continuing operations.....	160,501	122,376	110,641	119,453	154,731
Balance Sheet Data:					
Total assets.....	\$3,823,566	\$3,609,591	\$3,585,530	\$3,542,307	\$3,774,653
Long-term debt (a)	921,682	870,499	930,966	1,044,663	1,136,515
Power purchase obligation (a).....	52,282	68,049	83,127	97,504	111,222
Short-term borrowings	81,600	204,000	206,221	122,500	161,700
Preferred stock:					
Not subject to mandatory redemption	31,759	31,759	31,759	31,763	31,769
Subject to mandatory redemption (b).	150,000	150,000	150,000	150,000	150,000
Common shareholder's equity	1,161,968	1,057,855	972,278	985,744	986,825

(a) Includes amounts due within one year.

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

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

INTRODUCTION

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

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

FORWARD-LOOKING STATEMENTS

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

RESULTS OF OPERATIONS

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

REGULATED GROSS MARGIN

Regulated Electric Gross Margin:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
		(In millions)	
Operating revenues	\$1,212	\$1,179	\$1,170
Cost of fuel, energy and capacity	<u>249</u>	<u>223</u>	<u>228</u>
Electric gross margin	<u>\$ 963</u>	<u>\$ 956</u>	<u>\$ 942</u>

2000 vs. 1999 -

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

MidAmerican Energy's margins on off-system sales increased \$13.4 million compared to 1999. An increase in the average margin per unit sold more than offset a 3.2% decrease in sales volumes compared to 1999. Off-system sales are the delivery of energy to other utilities, municipalities and marketers outside of MidAmerican Energy's delivery system.

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

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

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

Electric revenues from the recovery of energy efficiency program costs decreased \$2.3 million compared to 1999. Changes in these revenues are substantially matched with corresponding changes in other operating expenses. MidAmerican Energy began recovering from customers its remaining deferred energy efficiency costs and current, ongoing energy efficiency costs on September 29, 1997. Deferred energy efficiency costs are costs previously incurred by MidAmerican Energy which, in accordance with rate treatment, were not charged to expense until recovery from customers began. Recovery of deferred energy efficiency costs occurs over a four-year period from the date collection begins. The decrease in 2000 of the recovery of energy efficiency program costs is due to completion in 1999 of two of the recovery phases. One phase remains and will be completed in 2001. Approximately \$34.8 million of MidAmerican Energy's 2000 electric revenues were from the recovery of energy efficiency program costs compared to \$37.1 million in 1999. Refer to the discussion under "Energy Efficiency" in the "Operating Activities And Other Matters" section of MD&A for further discussion of energy efficiency cost recovery.

Additionally, electric revenues from recovery mechanisms related to Cooper Nuclear Station costs, decommissioning costs and manufactured gas plant costs decreased \$2.1 million compared to 1999. The

decreases relate principally to corresponding decreases in costs for which the recovery mechanisms were established.

1999 vs. 1998 -

A key contributor to the improvement in electric gross margin for 1999 was a \$24.5 million reduction in the cost of energy per unit sold due to improved performance of MidAmerican Energy's nuclear power generation facilities and lower overall prices on coal and purchased power.

MidAmerican Energy's margins on off-systems sales increased \$19.6 million compared to 1998. The increase in margins on off-system sales was due to lower costs per unit of energy sold, which in large part was due to improved availability of Quad Cities Nuclear Power Station in 1999. Additionally, favorable off-system sales prices during the hot temperatures in July 1999 and a 15.9% increase in related sales volumes contributed to the increase in off-system margin.

Growth in the number of customers increased electric gross margin by \$4.9 million compared to 1998. An increase in sales that are not dependent on weather together with the effect of the mix in sales contributed \$9.5 million to the increase. The impact of temperatures resulted in an estimated \$12 million reduction of electric gross margin in 1999 compared to 1998. Overall, electric retail sales for 1999 decreased 0.5% compared to 1998.

Revenues and gross margin for 1999 reflect price reductions which were not in effect, or were only partially in effect, during 1998. In June 1998, revenues from Iowa residential customers were reduced \$5 million annually. Since July 1997, MidAmerican Energy has reduced revenues from its Iowa commercial and industrial customers a total of approximately \$10 million annually through negotiated contracts and a tariffed rate reduction. These reductions were only partially in effect in 1998. Revenues from Illinois customers were reduced \$0.9 million in August 1998 related to Illinois utility industry restructuring. MidAmerican Energy also recorded a refund accrual for a revenue sharing arrangement in Iowa. The accrual reduced revenues and margin by \$15.0 million compared to 1998. Refer to "Rate Matters: Electric" in the "Operating Activities And Other Matters" section of MD&A for a discussion of revenue sharing. The combined effect of the revenue reductions and the revenue sharing accrual decreased revenues and electric margin by \$21.1 million for 1999 compared to 1998.

Revenues from energy efficiency cost recovery decreased \$7.3 million in 1999 compared to 1998. Collection of deferred energy efficiency costs decreased in 1999 due to the completion in 1998 of one of the four recovery periods. Approximately \$37.1 million of MidAmerican Energy's 1999 electric revenues were from the recovery of energy efficiency program costs compared to \$44.4 million in 1998.

Revenues from electric transmission services decreased \$4.0 million in 1999 compared to 1998 due principally to a reduction in transactions under MidAmerican Energy's transmission tariff. Under an order by the Federal Energy Regulatory Commission, the Mid-Continent Area Power Pool tariff was opened to transactions which previously would have been under the MidAmerican Energy tariff.

Regulated Gas Gross Margin:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
		(In millions)	
Operating revenues	\$ 656	\$ 455	\$ 430
Cost of gas sold	<u>448</u>	<u>259</u>	<u>243</u>
Gas gross margin	<u>\$ 208</u>	<u>\$ 196</u>	<u>\$ 187</u>

2000 vs. 1999

MidAmerican Energy's regulated gas revenues include purchase gas adjustment clauses through which MidAmerican Energy is allowed to recover the cost of gas sold from most of its gas utility customers. Consequently, fluctuations in the cost of gas sold do not affect gross margin or net income because gas revenues reflect comparable fluctuations in revenues from purchase gas adjustment clauses. In 2000, MidAmerican Energy's per-unit cost of gas increased compared to 1999 which resulted in a \$175 million increase in revenues and cost of gas sold for 2000.

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

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

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

1999 vs. 1998 -

In 1999, MidAmerican Energy's per-unit cost of gas increased compared to 1998 resulting in an \$18 million increase in revenues and cost of gas sold for 1999.

As discussed above, retail gas rates increased in 1999. These increases contributed approximately \$10.3 million to the comparative increase in gas margin for 1999. Temperatures in 1999 were colder than in 1998 resulting in a \$3 million increase in gas gross margin. Customer growth resulted in a \$2.8 million improvement in gas margin in 1999.

Recovery of gas energy efficiency program costs decreased \$3.5 million for 1999 compared to 1998. Approximately \$14.1 million of MidAmerican Energy's gas revenues in 1999 were from the recovery of gas energy efficiency program costs. Again, changes in revenues from energy efficiency cost recovery are substantially offset by corresponding changes in other operating expenses. Refer to the discussion under "Energy Efficiency" in the "Operating Activities And Other Matters" section of MD&A for further discussion.

REGULATED OPERATING EXPENSES

Other Operating Expenses -

Other operating expenses decreased \$26.8 million compared to 1999. Information technology expenses were \$8.5 million lower for 2000 due principally to consulting and other costs in 1999 to support newly implemented systems and for Y2K preparation. During 1999, MidAmerican Energy incurred transition costs related to MHC's March 1999 merger. The absence of similar costs in 2000 resulted in a \$13.7 million reduction of other operating expenses in 2000 compared to 1999. Energy efficiency costs decreased \$3.8 million compared to 1999 due to the completion of two recovery phases in 1999. Other factors contributing to the decrease in other operating expenses were reductions in employee incentive plan costs and injuries and damages costs and an increase in 2000 of a reserve distribution from an insurance fund compared to the distribution in 1999.

Other operating expenses decreased \$9.4 million for 1999 compared to 1998. As mentioned in the gross margin discussions, the recovery of one phase of deferred energy efficiency costs was completed in 1998, and accordingly, the costs for that phase have been fully amortized to expense. Recurring energy efficiency costs also decreased in 1999. As a result, energy efficiency costs decreased \$9.5 million in 1999 compared to 1998. A concerted effort to reduce operating costs resulted in reductions in gas distribution costs, marketing and sales-related expenses, and customer service costs in 1999 compared to 1998. The decreases were partially offset by \$13.7 million of transition costs in 1999 related to MHC's March 1999 merger and a \$3.7 million increase in nuclear operations expenses.

Maintenance -

Maintenance expenses for 2000 increased \$11.0 million due to reliability maintenance at generating plants and an increase in forestry service costs and related overhead distribution maintenance. Maintenance expenses increased \$5.7 million for 1999 compared to 1998 due to the timing of generating plant maintenance and increased gas distribution and maintenance. The increases in these areas were partially offset by a \$1.2 million decrease in 1999 for maintenance at the Quad Cities Station.

Depreciation and Amortization -

Depreciation and amortization expense increased in 2000 compared to 1999. Utility plant depreciation expense increased as a result of an increase in utility plant. Amortization of regulatory assets for MidAmerican Energy's Iowa operations increased in accordance with an Iowa revenue sharing plan. Refer to "Rate Matters" in the "Operating Activities And Other Matters" section of MD&A. Depreciation expense related to nuclear decommissioning funding for MidAmerican Energy's Illinois operations decreased for 2000 compared to 1999. The increase in depreciation and amortization expense in 1999 is due to several new software systems completed in late 1998 and 1999, including a new customer service system.

Property and Other Taxes -

Property and other taxes decreased for 2000 compared to 1999 due to a reduction in MidAmerican Energy's Iowa property tax assessed values. Property and other taxes decreased \$10.3 million in 1999 compared to 1998. MidAmerican Energy's Iowa property tax expense decreased for 1999 due to reduced assessed values. Deregulation of the Illinois electric utility industry resulted in changes in the way public utility taxes are assessed in Illinois. The changes resulted in decreases in MidAmerican Energy's tax expense for 1999 compared to 1998. One of the taxes is now assessed directly on the energy consumer instead of through the utility. Accordingly, MidAmerican Energy's electric revenues reflect an equal reduction in 1999 for this tax collection change.

NONREGULATED OPERATING REVENUES AND OPERATING EXPENSES

Nonregulated Gas Gross Margin -

	<u>2000</u>	<u>1999</u>	<u>1998</u>
		(In millions)	
Operating revenues	\$407.9	\$136.3	\$90.0
Cost of gas sold	<u>404.7</u>	<u>135.1</u>	<u>88.4</u>
Gross margin	<u>\$ 3.2</u>	<u>\$ 1.2</u>	<u>\$ 1.6</u>

Revenues from nonregulated natural gas marketing operations increased \$271.6 million for 2000 compared to 1999. An increase in the average price per unit sold, reflective of a 93% increase in the average cost of gas, accounted for \$195.7 million of the increase in revenues. Sales volumes increased 32 million MMBtus (56%) resulting in a \$75.9 million increase in revenues. The increase in sales volumes was driven principally by the addition of larger-use wholesale customers and the addition of retail customer activity. The \$269.6 million increase in related cost of sales reflects the increases in cost per unit sold and sales volumes.

Revenues from nonregulated natural gas marketing operations increased \$46.3 million for 1999 compared to 1998. Sales volumes increased 19 million MMBtus, or 49%, in 1999, contributing \$43.5 million to the increase in natural gas marketing revenues. The increase in sales volumes was the result of a 28% increase in the average number of customers and a 16% increase in the average use per customer. The increase in the average number of customers relates principally to 1999 reflecting a full-year effect of an increase in customers in the last half of 1998. The increase was due to MidAmerican Energy beginning in May 1998 to service contracts previously serviced by another subsidiary of MHC. The increase in the average use per customer was due in part to a few large-use customers added at the end of 1998. The remaining increase in gas marketing revenues relates to a 3% increase in the average cost of gas. Cost of sales related to natural gas marketing operations increased \$46.9 million in 1999 compared to 1998 and is reflective of the sales volume and cost increases affecting revenues.

Other Nonregulated Revenues and Cost of Sales -

Nonregulated revenues for 2000 include \$17.9 million from MidAmerican Energy's market access service project, compared to \$10.9 million in 1999. The pilot project, which began in the third quarter of 1999, allows larger Iowa customers that are participating in the project to choose their electric power supplier. MidAmerican Energy's revenues from project participants related to non-supply services, such as distribution and transmission, are reflected in regulated electric revenues. Cost of sales related to the market access service project increased from \$9.7 million for 1999 to \$17.3 million for 2000.

Beginning October 1, 1999, some non-residential customers in Illinois are allowed to select their electric power supplier. MidAmerican Energy's nonregulated revenues for 2000 include \$3.6 million in agency fees and other revenues related to these supply services. Related cost of sales totaled \$4.3 million. No revenues or costs of sales were incurred in 1999 or 1998 related to these activities.

MidAmerican Energy's nonregulated revenues also include pre-tax income from awards for successful performance under its incentive gas procurement program. Under the program, if MidAmerican Energy's cost of gas varies from an established reference price range, then the savings or cost is shared between customers and shareholders. The awards totaled \$3.9 million, \$1.6 million and \$4.3 million in 2000, 1999 and 1998, respectively.

MidAmerican Energy performs work for its customers that is not regulated, including distribution maintenance and forestry services. Increased efforts in these services also contributed to the increase in nonregulated revenues for 2000 compared to 1999. Revenues from work for other utilities in 1999 decreased \$3.6 million compared to 1998.

Nonregulated Operating Expenses: Other -

Other operating expenses for MidAmerican Energy's nonregulated services increased \$3.5 million for 2000 compared to 1999. The increase was due principally to costs related to nonregulated distribution services performed for customers.

Other operating expenses for MidAmerican Energy's nonregulated services for 1999 compared to 1998 reflect decreases in costs related to storm repair for other utilities and appliance services of \$3.4 million and \$5.9 million respectively. These decreases were more than offset by increases related to costs of initiatives for new products and services.

NON-OPERATING INCOME AND INTEREST EXPENSE

Interest and Dividend Income-

The increase in interest income for 2000 compared to 1999 was due to \$6.1 million of interest income from income tax refunds, \$2.9 million of interest from a joint plant operator for funds held by them and a \$2.5 million increase in interest on a note receivable related to sold accounts receivable. Additionally, MidAmerican Energy had a more favorable cash position from August to December 2000. Interest income in 1999 decreased compared to 1998 due to a reduction in short-term investments and in the note receivable related to sold accounts receivable.

Other, Net -

Other, Net includes a discount on sold accounts receivable, net of a subservicer fee charged to MidAmerican Energy Funding Corporation for servicing the accounts. The discount is designed to cover the expenses of MidAmerican Energy Funding Corporation, including bad debt expense, subservicer fees, monthly administrative costs and interest. The discount is recorded in Other, Net because it is not reflected in utility cost of service for regulatory purposes. The discount, net of the subservicer fee, reduced Other, Net by \$8.3 million, \$7.9 million and \$7.0 million in 2000, 1999 and 1998, respectively.

Income related to the cash surrender value of corporate-owned life insurance policies totaled \$9.3 million, \$0.3 million and \$1.5 million for 2000, 1999 and 1998, respectively. Income for 2000 includes \$7.4 million related to benefits paid on several policies.

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

Fixed Charges and Preferred Dividends -

MidAmerican Energy's interest on long-term debt decreased in 2000 and in 1999 compared to their respective prior years due to long-term debt refinancing in 1998 and debt maturities in each year.

LIQUIDITY AND CAPITAL RESOURCES

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

As reflected on the Consolidated Statements of Cash Flows, MidAmerican Energy's net cash provided from operating activities was \$359 million, \$330 million and \$371 million in 2000, 1999 and 1998, respectively.

INVESTING ACTIVITIES AND PLANS

Utility Construction Expenditures -

MidAmerican Energy's primary need for capital is utility construction expenditures. For 2000, utility construction expenditures totaled \$216 million, including allowance for funds used during construction, or capitalized financing costs, and Quad Cities Station nuclear fuel purchases. All such expenditures were met with cash generated from utility operations, net of dividends.

Forecasted utility construction expenditures, including allowance for funds used during construction are \$223 million for 2001 and \$871 million for 2002 through 2005. Capital expenditure needs are reviewed regularly by management and may change significantly as a result of such reviews. MidAmerican Energy presently expects that all utility construction expenditures for the next five years will be met with cash generated from utility operations, net of dividends. The actual level of cash generated from utility operations is affected by, among other things, economic conditions in the utility service territory, weather and federal and state regulatory actions.

Nuclear Decommissioning -

Each licensee of a nuclear facility is required to provide financial assurance for the cost of decommissioning its licensed nuclear facility. In general, decommissioning of a nuclear facility means to safely remove the facility from service and restore the property to a condition allowing unrestricted use by the operator. Based on information presently available, MidAmerican Energy expects to contribute approximately \$41 million during the period 2001 through 2005 to external trusts established for the investment of funds for decommissioning Quad Cities Station. Approximately 60% of the trusts' funds are now invested in domestic corporate debt and common equity securities. The remainder is invested in investment grade municipal and U.S. Treasury bonds.

In addition, during the year 2000, MidAmerican Energy made payments to the Nebraska Public Power District related to decommissioning Cooper, based on an assumed shutdown of Cooper in September 2004. These payments are reflected in other operating expenses in the Consolidated Statements of Income. Based on Nebraska Public Power District decommissioning cost estimates, assuming a September 2004 shutdown of Cooper, MidAmerican Energy expects to accrue approximately \$55 million for Cooper decommissioning during the period 2001 through 2004. The funds that have been provided to Nebraska Public Power District, with the understanding that Cooper will be shutdown in September 2004, are invested predominately in U.S. Treasury Bonds and other U.S. Government securities. Approximately 30% of the funds are invested in domestic corporate debt. MidAmerican Energy's obligation, if any, for Cooper decommissioning will be affected by the actual plant shutdown date. In July 1997, Nebraska Public Power District filed a lawsuit in United States District Court for the District of Nebraska naming MidAmerican Energy as the defendant and seeking a declaration of MidAmerican Energy's rights and

obligations in connection with Cooper nuclear decommissioning funding. Refer to Part I, Item 3. Legal Proceedings, for further discussion of the litigation.

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

FINANCING ACTIVITIES, PLANS AND AVAILABILITY

Debt Authorization and Credit Facilities –

MidAmerican Energy currently has authority from the Federal Energy Regulatory Commission to issue short-term debt in the form of commercial paper and bank notes aggregating \$400 million. MidAmerican Energy currently has in place a \$370.4 million revolving credit facility that supports its \$250 million commercial paper program and its variable rate pollution control revenue obligations. In addition, MidAmerican Energy has a \$5 million line of credit.

MidAmerican Energy has authorization from the Federal Energy Regulatory Commission to issue up to an additional \$500 million in various forms of long-term debt. MidAmerican Energy will also need authorization from the Illinois Commerce Commission prior to issuing any securities. If 90% or more of the proceeds from a securities issuance are used for refinancing purposes, MidAmerican Energy need only provide the Illinois Commerce Commission with an “informational statement” prior to the issuance which sets forth the type, amount and use of the proceeds of the securities to be issued. If less than 90% of the proceeds are used for refinancing, MidAmerican Energy must file a comprehensive application seeking authorization prior to issuance. The Illinois Commerce Commission is required to hold a hearing before issuing its authorization.

Accounts Receivable Sold –

In 1997, MidAmerican Energy entered into a revolving agreement, which expires in 2002, to sell all of its right, title and interest in the majority of its billed accounts receivable to MidAmerican Energy Funding Corporation, a special purpose entity established to purchase accounts receivable from MidAmerican Energy. MidAmerican Energy Funding Corporation in turn sells receivable interests to outside investors. In consideration for the sale, MidAmerican Energy received cash and a subordinated note, bearing interest at 8%, from MidAmerican Energy Funding Corporation. As of December 31, 2000, the revolving cash balance was \$70 million, and the amount outstanding under the subordinated note was \$114.9 million. The agreement is structured as a true sale, under which the creditors of MidAmerican Energy Funding Corporation will be entitled to be satisfied out of the assets of MidAmerican Energy Funding Corporation prior to any value being returned to MidAmerican Energy or its creditors. Therefore, the accounts receivable sold are not reflected on MidAmerican Energy’s Consolidated Balance Sheets. As of December 31, 2000, \$185.8 million of accounts receivable, net of reserves, were sold under the agreement.

OPERATING ACTIVITIES AND OTHER MATTERS

Industry Evolution -

Legislation to initiate retail electric competition was introduced in the Iowa legislature in the 2000 session, but it did not pass. Deregulation of the gas supply function related to small volume customers is also being considered by the Iowa Utilities Board. MidAmerican Energy has actively participated in the legislative and regulatory processes. MidAmerican Energy cannot predict the timing or ultimate outcome of any potential electric restructuring legislation or gas restructuring in Iowa.

The introduction of competition in the wholesale market has resulted in a proliferation of power marketers and a substantial increase in market activity. The wholesale market has also increased in volatility. As this market matures, volatility may decline.

With the elimination of the energy adjustment clause in Iowa, MidAmerican Energy is financially exposed to movements in energy prices. Although MidAmerican Energy has sufficient low cost generation under typical operating conditions for its retail electric needs, a loss of adequate generation by MidAmerican Energy requiring the purchase of replacement power at a time of high market prices could subject MidAmerican Energy to losses on its energy sales.

Legislative and Regulatory Evolution -

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

The law provides for Illinois earnings above a computed level of return on common equity to be shared equally between customers and MidAmerican Energy. MidAmerican Energy's computed level of return on common equity is based on a rolling two-year average of the 30-year Treasury Bond rates plus a premium of 5.50% for 1998 and 1999 and a premium of 8.5% for 2000 through 2004. The two-year average above which sharing must occur for 2000 was 12.83%. Using the same 30-year Treasury bond average, the computed level of return would be 14.33% for 2001 through 2004. The law allows MidAmerican Energy to mitigate the sharing of earnings above the threshold return on common equity through accelerated recovery of regulatory assets.

In December 1999, the Federal Energy Regulatory Commission issued Order No. 2000 establishing among other things minimum characteristics and functions for regional transmission organizations. Public utilities that were not a member of an independent system operator at the time of the order were required to submit a plan by which its transmission facilities would be transferred to a regional transmission organization on a schedule that would allow the regional transmission organization to commence operating by December 15, 2001. On October 16, 2000, MidAmerican Energy filed with the Federal Energy Regulatory Commission a plan for MidAmerican Energy to comply with Order No. 2000 by participating in the formation of a for-profit independent transmission company. MidAmerican Energy continues in its effort to form such a company.

Accounting Effects of Industry Restructuring -

A possible consequence of deregulation in the utility industry is that Statement of Financial Accounting Standards No. 71 (SFAS 71) may no longer apply. SFAS 71 sets forth accounting principles for operations that are regulated and meet the required criteria. For operations that meet the criteria, SFAS 71 allows, among other things, the deferral of expense or income that would otherwise be recognized when incurred. With the exception of the generation operations serving the Illinois jurisdiction, MidAmerican Energy's electric and gas utility operations currently meet the criteria required by SFAS 71, but its applicability is periodically reexamined. If portions of its utility operations no longer meet the criteria of SFAS 71, MidAmerican Energy could be required to write off the related regulatory assets and liabilities from its balance sheet, and thus, a material adjustment to earnings in that period could result if regulatory assets are not recovered in transition provisions of any resulting legislation. As of December 31, 2000, MidAmerican Energy had \$231.1 million of regulatory assets, net of regulatory liabilities, on its Consolidated Balance Sheet.

Energy Efficiency -

MidAmerican Energy's regulatory assets as of December 31, 2000, included \$22.8 million of deferred energy efficiency costs. Based on the current level of recovery, MidAmerican Energy expects to recover these costs by the end of 2001. MidAmerican Energy is also allowed to recover its ongoing energy efficiency costs on a current basis. These costs are being collected from customers based on projected annual expenditures of \$16.4 million, which may be adjusted annually. Amortization of the deferred energy efficiency costs and current expenditures for energy efficiency costs will be reflected in other operating expenses over the related periods of recovery.

Rate Matters: Electric -

Under a 1997 pricing plan settlement agreement resulting from an Iowa Utilities Board rate proceeding, electric prices for MidAmerican Energy's Iowa industrial and commercial customers were reduced through a retail access pilot project, negotiated individual electric contracts and a tariffed rate reduction for some non-contract commercial customers.

The negotiated electric contracts have differing terms and conditions as well as prices. The vast majority of the contracts expire during the period 2003 through 2005, although some large customers have contracts extending to 2008. Some of the contracts have price renegotiation and early termination provisions exercisable by either party. Prices are set as fixed prices; however, many contracts allow for potential price adjustments with respect to environmental costs, government imposed public purpose programs, tax changes, and transition costs. While the contract prices are fixed (except for the potential adjustment elements), the costs MidAmerican Energy incurs to fulfill these contracts will vary. On an aggregate basis the annual revenues under contract are approximately \$180 million.

Under the 1997 pricing plan settlement agreement, if MidAmerican Energy's annual Iowa electric jurisdictional return on common equity exceeds 12%, then earnings above the 12% level will be shared equally between customers and MidAmerican Energy. If the return exceeds 14%, then two-thirds of MidAmerican Energy's share of those earnings above the 14% level will be used for accelerated recovery of certain regulatory assets. During 2000, MidAmerican Energy credited \$14.8 million to its Iowa non-contract customers related to the return calculation for 1999, which was approved by the Iowa Utilities Board, subject to additional refund. In 2000, MidAmerican Energy accrued \$21.6 million for customer credits relating to 2000 operations. This Iowa electric retail revenue sharing plan remained in effect through the year 2000. The rates established by the pricing plan settlement agreement will remain in effect

until either the plan is renegotiated or a change in rates is approved by the Iowa Utilities Board pursuant to a rate proceeding.

The pricing plan settlement agreement also precluded MidAmerican Energy from filing for increased rates prior to January 1, 2001, unless the return fell below 9%. Other parties signing the agreement were prohibited from filing for reduced rates prior to 2001 unless the return, after reflecting credits to customers, exceeded 14%. The agreement also eliminated MidAmerican Energy's energy adjustment clause, and, as a result, the cost of fuel is not directly passed on to customers.

Environmental Matters -

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

MidAmerican Energy has evaluated or is evaluating 27 properties which were, at one time, sites of gas manufacturing plants in which it may be a potentially responsible party. The purpose of these evaluations is to determine whether waste materials are present, whether the materials constitute an environmental or health risk, and whether MidAmerican Energy has any responsibility for remedial action. MidAmerican Energy's estimate of the probable costs for these sites as of December 31, 2000, was \$24 million. This estimate has been recorded as a liability and a regulatory asset for future recovery through the regulatory process. Refer to Note (4)(b) of Notes to Consolidated Financial Statements for further discussion of MidAmerican Energy's environmental activities related to manufactured gas plant sites and cost recovery.

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

On July 18, 1997, the EPA adopted revisions to the National Ambient Air Quality Standards for ozone and a new standard for fine particulate matter. In May 1999, the U.S. Court of Appeals for the District of Columbia Circuit remanded the standards adopted in July 1997 back to the EPA indicating the EPA had not expressed sufficient justification for the basis of establishing the standards and ruling that the EPA has exceeded its constitutionally-delegated authority in setting the standards. As a result of the court's initial decision and the current status of the standards, the impact of any new standards on MidAmerican Energy is currently unknown. If the EPA successfully appeals the court's decision, however, and the new standards are implemented, then MidAmerican Energy could incur increased costs and a decrease in revenues. Refer to Note (4)(c) of Notes to Consolidated Financial Statements for further discussion of this issue.

Generating Capability -

MidAmerican Energy is interconnected with Iowa and neighboring utilities and is involved in an electric power pooling agreement known as Mid-Continent Area Power Pool. Each MAPP participant is required to maintain for emergency purposes a net generating capability reserve of at least 15% above its system peak demand. MidAmerican Energy was able to maintain its capacity reserve requirement during the 2000 cooling season and was not adversely affected by the seasonal high prices in the off-system market.

MidAmerican Energy believes it has adequate electric capacity reserve through at least 2004 and continues to manage its generating resources to ensure an adequate reserve in the future. However, significantly higher-than-normal temperatures during the cooling season could cause MidAmerican Energy's reserve to fall below the 15% minimum. If MidAmerican Energy fails to maintain the appropriate reserve, significant penalties could be contractually imposed by MAPP.

ACCOUNTING ISSUES

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", which was delayed by SFAS 137 and amended by SFAS 138. SFAS 133/138 requires an entity to recognize all of its derivatives as either assets or liabilities in its statement of financial position and measure those instruments at fair value. MidAmerican Energy implemented the new standards on January 1, 2001. The initial adoption of SFAS133/138 did not have a material impact on MidAmerican Energy's financial position or results of operations or any impact on its cash flows. Refer to Note (1)(i)(3) of Notes to Consolidated Financial Statements for further discussion.

The FASB's Derivatives Implementation Group continues to identify and provide guidance on various implementation issues related to SFAS 133/138 that are in varying stages of review and clearance by the Derivative Implementation Group and FASB. MidAmerican Energy believes that the ultimate resolution of those issues would not have a material impact on its financial statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

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

MidAmerican Energy uses hedge accounting for derivative instruments pertaining to its natural gas purchasing, wholesale electricity activities and financing activities. Refer to Note (1)(i) in Notes to Consolidated Financial Statements for further discussion of the accounting for derivative instruments.

Commodity Price Risk -

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

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

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

MidAmerican Energy uses natural gas derivative instruments for trading purposes under strict value at risk guidelines outlined by senior management. In accordance with the FASB's Emerging Issues Task Force Abstract No. 98-10 (EITF 98-10), derivative instruments held for trading purposes are recorded at fair value and any unrealized gains or losses are reported in earnings. EITF 98-10 has not had a material effect on MidAmerican Energy's financial position, results of operations or cash flows.

MidAmerican Energy uses electricity forward contracts to hedge anticipated sales of wholesale electric power. Electric forward contracts are not reflected in the financial statements until they are settled.

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

Derivative instruments used for other than trading purposes -

	<u>2000</u>	<u>1999</u>
Natural Gas Futures Contracts - NYMEX:		
Net Contract Volumes- Long(Short)	1,460,000 MMBtu	(550,000) MMBtu
Unrealized Gain (Loss), in thousands	\$7,554	\$ (410)
Natural Gas Swap Contracts:		
Contract Volumes	24,106,980 MMBtu	85,520,442 MMBtu
Unrealized Gain (Loss), in thousands	\$8,055	\$(1,576)
Natural Gas Options:		
Contract Volumes - Long	1,790,280 MMBtu	-
Unrealized Gain, in thousands	\$953	-
Electric Forward Contracts:		
Contract Volumes - (Short)	(139,200) MWh	-
Unrealized (Loss), in thousands	\$(4,731)	-

A \$1.00 increase in underlying natural gas prices would increase unrealized gains on the futures contracts held at December 31, 2000 by approximately \$1.5 million and would increase unrealized gains on the above swap contracts by approximately \$2.3 million. A \$5.00 increase in underlying electricity prices would increase unrealized losses on the forward contracts held at December 31, 2000 by approximately \$0.7 million.

Derivative instruments used for trading purposes -

	<u>2000</u>	<u>1999</u>
Natural Gas Futures Contracts - NYMEX:		
Net Contract Volumes- (Short)	(20,000) MMBtu	-
Unrealized (Loss), in thousands	\$(79)	-
Natural Gas Swap Contracts:		
Contract Volumes	(10,000) MMBtu	-
Unrealized (Loss), in thousands	\$(261)	-

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

Interest Rate Risk

At December 31, 2000, MidAmerican Energy had fixed-rate long-term debt and mandatorily redeemable preferred securities and preferred securities of subsidiary trust totaling \$951 million with a fair value of \$954 million. These instruments are fixed rate and therefore do not expose MidAmerican Energy to the risk of earnings loss due to changes in market interest rates. However, the fair value of these instruments would decrease by approximately \$28 million if interest rates were to increase by 10% from their levels at December 31, 2000. In general, such a decrease in fair value would impact earnings and

cash flows only if MidAmerican Energy were to acquire all or a portion of these instruments prior to their maturity.

At December 31, 2000, MidAmerican Energy had long-term floating rate obligations totaling \$120 million and short-term floating rate obligations totaling \$82 million which expose MidAmerican Energy to risk of increased interest expense in the event of increases in short-term interest rates. This market risk is not hedged. The carrying value of the long-term and short-term floating rate obligations at December 31, 2000 approximated fair value. If the floating interest rates were to increase by 10% from December 31, 2000 levels, MidAmerican Energy's interest expense for the floating rate obligations would increase by approximately \$1.1 million annually based on December 31, 2000 principal balances.

MidAmerican Energy has entered into a two-year, \$162 million fixed-to-floating interest rate swap agreement in conjunction with its \$162 million, 7.375% series of medium-term notes due August 1, 2002. The floating rate of the swap is based on a three-month LIBOR rate. As of December 31, 2000, the market value of this swap was \$6.5 million.

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(In thousands)

	Years Ended December 31,		
	2000	1999	1998
Operating Revenues			
Regulated electric.....	\$1,212,411	\$1,178,702	\$1,169,810
Regulated gas.....	656,560	454,802	429,870
Nonregulated.....	449,218	157,532	107,509
	<u>2,318,189</u>	<u>1,791,036</u>	<u>1,707,189</u>
Operating Expenses			
Regulated:			
Cost of fuel, energy and capacity.....	249,045	223,215	227,870
Cost of gas sold.....	448,400	258,957	243,451
Other operating expenses.....	434,125	460,883	470,328
Maintenance.....	127,076	116,089	110,387
Depreciation and amortization.....	197,144	190,547	182,211
Property and other taxes.....	74,778	77,017	87,276
	<u>1,530,568</u>	<u>1,326,708</u>	<u>1,321,523</u>
Nonregulated:			
Cost of sales.....	427,830	146,699	88,390
Other.....	21,035	17,565	16,356
	<u>448,865</u>	<u>164,264</u>	<u>104,746</u>
Total operating expenses.....	<u>1,979,433</u>	<u>1,490,972</u>	<u>1,426,269</u>
Operating Income	<u>338,756</u>	<u>300,064</u>	<u>280,920</u>
Non-Operating Income			
Interest and dividend income.....	15,499	3,040	6,116
Other, net.....	(1,455)	(3,699)	(6,477)
	<u>14,044</u>	<u>(659)</u>	<u>(361)</u>
Fixed Charges			
Interest on long-term debt.....	61,120	65,649	70,193
Other interest expense.....	9,056	11,249	14,128
Preferred dividends of subsidiary trust.....	7,980	7,980	7,980
Allowance for borrowed funds.....	(1,273)	(1,257)	(3,377)
	<u>76,883</u>	<u>83,621</u>	<u>88,924</u>
Income Before Income Taxes	275,917	215,784	191,635
Income Taxes	110,461	88,453	76,042
Net Income	165,456	127,331	115,593
Preferred Dividends	4,955	4,955	4,952
Earnings on Common Stock	<u>\$ 160,501</u>	<u>\$ 122,376</u>	<u>\$ 110,641</u>

The accompanying notes are an integral part of these statements.

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

	<u>Years Ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Earnings on Common Stock	<u>\$160,501</u>	<u>\$122,376</u>	<u>\$110,641</u>
Other Comprehensive Income, Net:			
Minimum pension liability adjustment:			
Before income tax benefit.....	(4,087)	-	-
Income tax benefit	<u>1,699</u>	<u>-</u>	<u>-</u>
	<u>(2,388)</u>	<u>-</u>	<u>-</u>
Comprehensive Income	<u>\$158,113</u>	<u>\$122,376</u>	<u>\$110,641</u>

The accompanying notes are an integral part of these statements.

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands)

	As of December 31,	
	2000	1999
Assets		
Utility Plant		
Electric	\$4,471,839	\$4,348,740
Gas	<u>831,203</u>	<u>809,112</u>
	5,303,042	5,157,852
Less accumulated depreciation and amortization.....	<u>2,680,420</u>	<u>2,548,160</u>
	2,622,622	2,609,692
Construction work in progress	<u>38,584</u>	<u>33,739</u>
	<u>2,661,206</u>	<u>2,643,431</u>
Power Purchase Contract	<u>82,231</u>	<u>106,481</u>
Current Assets		
Cash and cash equivalents.....	9,677	5,167
Receivables, less reserves of \$102 and zero, respectively	422,661	190,986
Inventories	69,130	80,649
Prepaid taxes.....	22,889	22,889
Other	<u>9,789</u>	<u>10,355</u>
	<u>534,146</u>	<u>310,046</u>
Investments and Nonregulated Property, Net	256,053	228,105
Regulatory Assets	240,934	278,757
Other Assets	<u>48,996</u>	<u>42,771</u>
Total Assets	<u>\$3,823,566</u>	<u>\$3,609,591</u>
Capitalization and Liabilities		
Capitalization		
Common shareholder's equity.....	\$1,161,968	\$1,057,855
MidAmerican Energy preferred securities, not subject to mandatory redemption.....	31,759	31,759
Preferred securities, subject to mandatory redemption:		
MidAmerican Energy preferred securities.....	50,000	50,000
MidAmerican Energy-obligated preferred securities of subsidiary trust holding solely MidAmerican Energy junior subordinated debentures	100,000	100,000
Long-term debt (excluding current portion).....	<u>820,082</u>	<u>759,638</u>
	<u>2,163,809</u>	<u>1,999,252</u>
Current Liabilities		
Notes payable.....	81,600	204,000
Current portion of long-term debt.....	101,600	110,861
Current portion of power purchase contract.....	16,554	15,767
Accounts payable	308,784	131,186
Taxes accrued	124,493	112,663
Interest accrued	12,016	12,925
Other	<u>34,667</u>	<u>30,226</u>
	<u>679,714</u>	<u>617,628</u>
Other Liabilities		
Power purchase contract	35,728	52,281
Deferred income taxes	540,608	561,000
Investment tax credit.....	66,209	71,757
Other	<u>337,498</u>	<u>307,673</u>
	<u>980,043</u>	<u>992,711</u>
Total Capitalization and Liabilities	<u>\$3,823,566</u>	<u>\$3,609,591</u>

The accompanying notes are an integral part of these statements.

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

	Years Ended December 31,		
	2000	1999	1998
Net Cash Flows From Operating Activities			
Net income	\$165,456	\$ 127,331	\$ 115,593
Adjustments to reconcile net income to net cash provided:			
Depreciation and amortization	197,438	190,112	177,661
Deferred income taxes and investment tax credit, net	(27,743)	(37,067)	(18,379)
Amortization of other assets	48,650	61,036	61,031
Cash inflows (outflows) of accounts receivable securitization	12,877	(2,877)	(10,000)
Impact of changes in working capital	(39,507)	(16,688)	42,367
Other	<u>2,256</u>	<u>8,182</u>	<u>2,734</u>
Net cash provided	<u>359,427</u>	<u>330,029</u>	<u>371,007</u>
Net Cash Flows From Investing Activities			
Utility construction expenditures	(215,727)	(203,575)	(193,354)
Quad Cities Nuclear Power Station decommissioning trust fund	(8,302)	(10,370)	(11,409)
Nonregulated capital expenditures	(1,075)	(540)	(21,065)
Proceeds from sale of assets and other investments	-	-	19,854
Other investing activities, net	<u>1,411</u>	<u>(10,968)</u>	<u>799</u>
Net cash used	<u>(223,693)</u>	<u>(225,453)</u>	<u>(205,175)</u>
Net Cash Flows From Financing Activities			
Dividends paid	(58,955)	(41,661)	(129,152)
Issuance of long-term debt, net of issuance cost	160,992	-	158,414
Retirement of long-term debt, including reacquisition cost	(110,861)	(60,897)	(282,759)
Reacquisition of preferred shares	-	-	(4)
Net increase (decrease) in notes payable	<u>(122,400)</u>	<u>(2,221)</u>	<u>83,721</u>
Net cash used	<u>(131,224)</u>	<u>(104,779)</u>	<u>(169,780)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,510	(203)	(3,948)
Cash and Cash Equivalents at Beginning of Year	<u>5,167</u>	<u>5,370</u>	<u>9,318</u>
Cash and Cash Equivalents at End of Year	<u>\$ 9,677</u>	<u>\$ 5,167</u>	<u>\$ 5,370</u>
Additional Cash Flow Information:			
Interest paid, net of amounts capitalized	<u>\$ 63,420</u>	<u>\$ 69,412</u>	<u>\$ 89,932</u>
Income taxes paid	<u>\$ 133,176</u>	<u>\$ 96,711</u>	<u>\$ 89,130</u>

The accompanying notes are an integral part of these statements.

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

	As of December 31,			
	2000		1999	
Common Shareholder's Equity				
Common shares, no par; 350,000,000 shares authorized;				
70,980,203 shares outstanding.....	\$ 560,563		\$ 560,563	
Retained earnings.....	603,793		497,292	
Accumulated other comprehensive loss.....	(2,388)		-	
	<u>1,161,968</u>	<u>53.7%</u>	<u>1,057,855</u>	<u>52.9%</u>
Preferred Securities (100,000,000 shares authorized)				
Cumulative shares outstanding not subject to mandatory redemption:				
\$3.30 Series, 49,451 shares	4,945		4,945	
\$3.75 Series, 38,305 shares	3,831		3,831	
\$3.90 Series, 32,630 shares	3,263		3,263	
\$4.20 Series, 47,362 shares	4,736		4,736	
\$4.35 Series, 49,945 shares	4,994		4,994	
\$4.40 Series, 50,000 shares	5,000		5,000	
\$4.80 Series, 49,898 shares	4,990		4,990	
	<u>31,759</u>	<u>1.5%</u>	<u>31,759</u>	<u>1.6%</u>
Cumulative shares outstanding; subject to mandatory redemption:				
\$5.25 Series, 100,000 shares	10,000		10,000	
\$7.80 Series, 400,000 shares	40,000		40,000	
	<u>50,000</u>	<u>2.3%</u>	<u>50,000</u>	<u>2.5%</u>
MidAmerican Energy-Obligated Preferred Securities				
MidAmerican Energy-obligated mandatorily redeemable cumulative preferred securities of subsidiary trust holding solely MidAmerican Energy junior subordinated debentures:				
7.98% series, 4,000,000 shares outstanding	100,000	<u>4.6%</u>	100,000	<u>5.0%</u>
Long-Term Debt				
Mortgage bonds:				
7.125% Series, due 2003	100,000		100,000	
7.70% Series, due 2004	55,630		55,630	
7% Series, due 2005	90,500		90,500	
7.375% Series, due 2008	75,000		75,000	
7.45% Series, due 2023	6,940		6,940	
6.95% Series, due 2025	12,500		12,500	
Pollution control revenue obligations:				
5.75% Series, due periodically through 2003	5,760		7,200	
6.7 % Series due 2003	1,000		1,000	
6.1% Series due 2007	1,000		1,000	
5.95% Series, due 2023 (secured by general mortgage bonds).....	29,030		29,030	

The accompanying notes are an integral part of these statements.

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

	<u>As of December 31,</u>	
	<u>2000</u>	<u>1999</u>
Long-Term Debt (Continued)		
Variable rate series -		
Due 2016 and 2017, 4.56% and 3.95%, respectively.....	\$ 37,600	\$ 37,600
Due 2023 (secured by general mortgage bond, 4.56% and 3.95%, respectively)	28,295	28,295
Due 2023, 4.56% and 3.95%, respectively	6,850	6,850
Due 2024, 4.56% and 3.95%, respectively	34,900	34,900
Due 2025, 4.56% and 3.95%, respectively	12,750	12,750
Notes:		
8.75% Series, due 2002	240	240
7.375% Series due 2002	162,000	-
6.5% Series, due 2001	-	100,000
6.375% Series, due 2006	160,000	160,000
Obligation under capital lease.....	1,538	1,698
Unamortized debt premium and discount, net.....	<u>(1,451)</u>	<u>(1,495)</u>
	<u>820,082</u> 37.9%	<u>759,638</u> 38.0%
Total Capitalization	<u>\$2,163,809</u> 100.0%	<u>\$1,999,252</u> 100.0%

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

	<u>Years Ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Beginning of Year	\$ 497,292	\$ 411,622	\$ 425,181
Net Income	<u>165,456</u>	<u>127,331</u>	<u>115,593</u>
Deduct (Add):			
Gain on reacquisition of preferred shares	-	-	(3)
Dividends declared on preferred shares	4,955	4,955	4,955
Dividends declared on common shares	<u>54,000</u>	<u>36,706</u>	<u>124,200</u>
	<u>58,955</u>	<u>41,661</u>	<u>129,152</u>
End of Year	<u>\$ 603,793</u>	<u>\$ 497,292</u>	<u>\$ 411,622</u>

The accompanying notes are an integral part of these statements.

MIDAMERICAN ENERGY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Company Structure:

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

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

(b) Consolidation Policy and Preparation of Financial Statements:

The accompanying Consolidated Financial Statements include MidAmerican Energy and subsidiaries under its control. All significant intercompany transactions have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Certain classification of amounts for 2000 are different than that of prior years. Accordingly, historical amounts have been reclassified.

(c) Regulation:

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

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

recovered in charges to utility customers, and the regulatory liability represents future income to offset specified expenses to be incurred:

	Weighted Average Future Recovery <u>Period</u>	As of December 31, <u>2000</u> <u>1999</u> (In thousands)	
<u>Regulatory Assets</u>			
Deferred income taxes, net.....	13 years	\$143,287	\$140,658
Energy efficiency costs	1 year	22,846	46,514
Debt refinancing costs.....	5 years	29,416	34,650
Nuclear generation assets.....	5 years	14,675	19,581
Environmental costs.....	10 years	24,001	27,837
Enrichment facilities decommissioning.....	5 years	1,930	6,953
Unamortized costs of retired plant	-	-	1,303
Other	Various	<u>4,779</u>	<u>1,261</u>
Total.....		<u>\$240,934</u>	<u>\$278,757</u>
<u>Regulatory Liability</u>			
Environmental insurance recovery.....	3 years	<u>\$ 9,787</u>	<u>\$ -</u>

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

(d) Revenue Recognition:

Revenues are recorded as services are rendered to customers. MidAmerican Energy records unbilled revenues representing the estimated amount customers will be billed for services rendered between the meter-reading dates in a particular month and the end of that month. Accrued unbilled revenues were \$191.8 million and \$93.4 million at December 31, 2000 and 1999, respectively, and are included in Receivables on the Consolidated Balance Sheets.

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

(e) Depreciation and Amortization:

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

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Electric.....	4.0%	4.0%	3.9%
Gas.....	3.5%	3.5%	3.4%

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

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

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

(f) Investments and Nonregulated Property, Net:

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

	<u>2000</u>	<u>1999</u>
Nuclear decommissioning trust fund.....	\$153,100	\$141,646
Corporate-owned life insurance	77,029	63,244
Coal transportation property.....	10,824	11,102
Other	<u>15,100</u>	<u>12,113</u>
Total.....	<u>\$256,053</u>	<u>\$228,105</u>

Investments held by the nuclear decommissioning trust fund for the Quad Cities Station units are classified as available-for-sale and are reported at fair value with net unrealized gains and losses reported as adjustments to the accumulated provision for nuclear decommissioning. The investment in corporate-owned life insurance represents the cash value of life insurance policies on certain key executives and other related investments.

(g) Consolidated Statements of Cash Flows:

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

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

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Receivables	\$(244,552)	\$(19,345)	\$ 25,389
Inventories.....	11,519	12,096	(8,447)
Prepaid taxes	-	-	(22,889)
Other current assets	566	(1,118)	(3,063)
Accounts payable	177,598	(28,234)	31,030
Taxes accrued	11,830	21,637	14,683
Interest accrued	(909)	(548)	(7,143)
Other current liabilities	<u>4,441</u>	<u>(1,176)</u>	<u>12,807</u>
Total.....	<u>\$ (39,507)</u>	<u>\$(16,688)</u>	<u>\$ 42,367</u>

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

Under a long-term power purchase contract with Nebraska Public Power District, expiring in 2004, MidAmerican Energy purchases one-half of the output of the 778-megawatt Cooper Nuclear Station. The Consolidated Balance Sheets include a liability for MidAmerican Energy's fixed obligation to pay 50% of Nebraska Public Power District's Nuclear Facility Revenue Bonds and other fixed liabilities. A like amount representing MidAmerican Energy's right to purchase power is shown as an asset.

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

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

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

(i) Accounting for Derivatives:

(1) Gas Futures Contracts and Swaps and Electric Forward Contracts:

MidAmerican Energy uses gas futures contracts and swap contracts to reduce the volatility in the price of natural gas purchased to meet the needs of its regulated customers, to hedge the impact of changing prices on margins earned from nonregulated gas sales and to take trading positions at levels permitted by its risk management policy. Investments in natural gas futures contracts, which total \$4.8 million and \$0.6 million as of December 31, 2000 and 1999, respectively, are included in Receivables on the Consolidated Balance Sheets. Gains and losses on gas futures contracts that qualify for hedge accounting are deferred and reflected as adjustments to the carrying value of the hedged item or included in Other Assets on the Consolidated Balance Sheets until the underlying physical transaction is recorded if the instrument is used to hedge an anticipated future transaction. The net gain or loss on gas futures contracts is included in the determination of income in the same period as the expense for the physical delivery of the natural gas. Realized gains and losses on gas futures contracts and the net amounts exchanged or accrued under the natural gas swap contracts are included in Cost of Gas Sold, or Nonregulated Cost of Sales consistent with the expense for the physical commodity. Deferred net gains/(losses) related to MidAmerican Energy's gas futures contracts are \$7.6 million and \$(0.4) million as of December 31, 2000 and 1999, respectively.

MidAmerican Energy uses natural gas derivative instruments for trading purposes under strict value at risk guidelines outlined by senior management. In accordance with the FASB's Emerging Issues Task Force Abstract No. 98-10 (EITF 98-10), derivative instruments held for trading purposes are recorded at fair value and any unrealized gains or losses are reported in earnings. EITF 98-10 has not had a material effect on MidAmerican Energy's financial position, results of operations or cash flows.

MidAmerican Energy also uses electric forward contracts to hedge anticipated future sales of electricity. Realized gains or losses on electric derivative products are included in Cost of Fuel, Energy and Capacity on the Consolidated Statements of Income. Unrecognized net losses related to MidAmerican Energy's electric derivatives total \$4.7 million and zero as of December 31, 2000 and 1999, respectively.

MidAmerican Energy periodically evaluates the effectiveness of its natural gas and electricity hedging programs. If a high degree of correlation between prices for the hedging instruments and prices for the physical delivery is not achieved, the contracts are recorded at fair value and the gains or losses are included in the determination of income. MidAmerican Energy also uses derivative instruments for trading purposes. MidAmerican Energy held the following derivative instruments at December 31:

	Unit of Measure	2000		1999	
		Notional Volume	Weighted Average Market Value Per Unit	Notional Volume	Weighted Average Market Value Per Unit
Hedging Instruments:					
Natural Gas Futures - Long.....	MMBtu	1,630,000	\$ 9.46	2,700,000	\$ 2.34
Natural Gas Futures – (Short)	MMBtu	(170,000)	\$ (9.78)	(3,250,000)	\$ (2.34)
Natural Gas Swaps.....	MMBtu	24,106,980	\$ 0.33	85,520,442	\$ (0.02)
Natural Gas Options – Long	MMBtu	1,790,280	\$ 0.53	-	-
Electric Forwards – (Short)	MWh	(139,200)	\$(33.99)	-	-
Trading Instruments:					
Natural Gas futures-NYMEX (Short)	MMBtu	(20,000)	\$(15.92)	-	-
Natural Gas Swaps.....	MMBtu	(10,000)	\$(26.14)	-	-

(2) Interest Rate Swap:

MidAmerican Energy has entered into a two-year, \$162 million fixed-to-floating interest rate swap agreement in conjunction with its \$162 million, 7.375% series of medium-term notes due August 1, 2002. The floating rate of the swap is based on a three-month LIBOR rate. As of December 31, 2000, the market value of this swap was \$6.5 million.

(3) New Accounting Pronouncement:

On January 1, 2001, MidAmerican Energy adopted Statement of Financial Accounting Standards Nos. 133 and 138 (SFAS 133/138) pertaining to the accounting for derivative instruments and hedging activities. SFAS 133/138 requires an entity to recognize all of its derivatives as either assets or liabilities in its statement of financial position and measure those instruments at fair value. If the conditions specified in SFAS 133/138 are met, those instruments may be designated as hedges. Changes in the value of hedge instruments would not impact earnings, except to the extent that the instrument is not perfectly effective as a hedge. At January 1, 2001, MidAmerican Energy recognized \$21.8 million and \$4.9 million of energy-related assets and liabilities, respectively, as being subject to fair value accounting pursuant to SFAS 133/138, all of which are accounted for as hedges. Initial adoption of SFAS 133/138 did not have a material impact on the results of operations for MidAmerican Energy.

The FASB's Derivatives Implementation Group continues to identify and provide guidance on various implementation issues related to SFAS 133/138 that are in varying stages of review and clearance by the Derivative Implementation Group and FASB. MidAmerican Energy believes that the ultimate resolution of those issues would not have a material impact on its financial statements.

(2) LONG-TERM DEBT:

MidAmerican Energy's sinking fund requirements and maturities of long-term debt for 2001 through 2005 are \$102 million, \$164 million, \$105 million, \$56 million and \$91 million, respectively.

MidAmerican Energy's Variable Rate Pollution Control Revenue Obligations bear interest at rates that are periodically established through remarketing of the bonds in the short-term tax-exempt market. MidAmerican Energy, at its option, may change the mode of interest calculation for these bonds by selecting from among several alternative floating or fixed rate modes. The interest rates shown in the Consolidated Statements of Capitalization are the weighted average interest rates as of December 31, 2000 and 1999. MidAmerican Energy maintains revolving credit facility agreements or renewable lines of credit to provide liquidity for holders of these issues.

Substantially all of the former Iowa-Illinois Gas and Electric Company, a predecessor company, utility property and franchises and substantially all of the former Midwest Power Systems Inc., a predecessor company, electric utility property in Iowa, or approximately 80% of gross utility property, is pledged to secure mortgage bonds.

(3) JOINTLY OWNED UTILITY PLANT:

Under joint plant ownership agreements with other utilities, MidAmerican Energy had undivided interests at December 31, 2000, in jointly owned generating plants as shown in the table below.

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

	Nuclear	Coal fired				
	Quad Cities Units No. 1 & 2	Neal Unit No. 3	Council Bluffs Unit No. 3		Neal Unit No. 4	Ottumwa Unit No. 1
In service date	1972	1975	1978	1979	1981	1983
Utility plant in service.....	\$218	\$143	\$301	\$174	\$209	\$540
Accumulated depreciation..	\$ 93	\$ 89	\$188	\$105	\$119	\$287
Unit capacity-MW (100%).	1,529	515	675	644	708	700
Percent ownership.....	25.0%	72.0%	79.1%	40.6%	52.0%	88.0%

(4) COMMITMENTS AND CONTINGENCIES:

(a) Capital Expenditures:

MidAmerican Energy's construction expenditures for 2001 are estimated to be \$223 million, including \$13 million for Quad Cities Station nuclear fuel.

(b) Manufactured Gas Plant Facilities:

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

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

MidAmerican Energy estimates the range of possible costs for investigation, remediation and monitoring for the sites discussed above to be \$22 million to \$68 million. MidAmerican Energy's estimate of the probable cost for these sites as of December 31, 2000 was \$24 million. The estimate consists of \$3 million for investigation costs, \$7 million for remediation costs, \$12 million for groundwater treatment and monitoring costs and \$2 million for closure and administrative costs. This estimate has been recorded as a liability and a regulatory asset for future recovery. MidAmerican Energy projects that these amounts will be paid or incurred over the next 10 years.

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

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

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

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

(c) Clean Air Act:

On July 18, 1997, the Environmental Protection Agency adopted revisions to the National Ambient Air Quality Standards for ozone and a new standard for fine particulate matter. Based on data to be obtained from monitors located throughout each state, the Environmental Protection Agency will determine which states have areas that do not meet the air quality standards (i.e., areas that are classified as nonattainment). If a state has area(s) classified as nonattainment area(s), the state is required to submit a State Implementation Plan specifying how it will reach attainment of the standards through emission reductions or other means. In August 1998, the Iowa Environmental Protection Commission adopted by reference the National Ambient Air Quality Standards for ozone and fine particulate matter.

In May 1999, the United States Court of Appeals for the District of Columbia Circuit remanded the standards adopted in July 1997 back to the Environmental Protection Agency indicating the Environmental Protection Agency had not expressed sufficient justification for the basis of establishing the standards and ruling that the Environmental Protection Agency has exceeded its constitutionally-delegated authority in setting the standards. The Environmental Protection Agency's appeal of the court's ruling to the full panel of the United States District Court of Appeals for the District of Columbia was denied. In May 2000, the United States Supreme Court granted certiorari to review the appeals court decision. Oral arguments were heard in November 2000.

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

(d) Long-Term Power Purchase Contract:

Payments to the Nebraska Public Power District cover one-half of the fixed and operating costs of Cooper (excluding depreciation but including debt service) and MidAmerican Energy's share of nuclear fuel cost (including DOE disposal fees) based on energy delivered. The debt service portion is approximately \$1.5 million per month for 2001 and is not contingent upon the plant being in service. In addition, MidAmerican Energy has contributed toward payment of one-half of Cooper's projected decommissioning costs based on an assumed September 2004 shutdown of Cooper.

The debt amortization and Department of Energy enrichment plant decontamination and decommissioning component of MidAmerican Energy's payments to Nebraska Public Power District were \$15.8 million, \$15.1 million and \$14.4 million and the net interest component, which is included in Other Operating Expenses in the Consolidated Statements of Income, was \$1.6 million, \$2.5 million and \$2.9 million each for the years 2000, 1999 and 1998, respectively.

MidAmerican Energy's payments for the debt principal portion of the power purchase contract obligation and the Department of Energy enrichment plant decontamination and decommissioning payments are \$16.6 million, \$17.4 million, \$18.3 million and zero for 2001 through 2004, respectively.

(e) Decommissioning Costs:

Based on site-specific decommissioning studies that include decontamination, dismantling, site restoration, dry fuel storage cost and assumed shutdown dates, MidAmerican Energy's share of expected decommissioning costs for Cooper and Quad Cities Station, in 2000 dollars, is \$277 million and \$266 million, respectively. In Illinois, Cooper nuclear decommissioning costs are recovered through a rate rider on customer billings that permits annual adjustments. Quad Cities Station and Cooper decommissioning costs are reflected in base rates in Iowa tariffs.

For purposes of developing a decommissioning funding plan for Cooper, Nebraska Public Power District assumes that decommissioning costs will escalate at an annual rate of 4.0%. Although Cooper's operating license expires in 2014, the funding plan assumes decommissioning will start in 2004, the anticipated plant shutdown date.

As of December 31, 2000, MidAmerican Energy's share of funds set aside in internal and external accounts for decommissioning was \$128.6 million. In addition, the funding plan also assumes various funds and reserves currently held to satisfy the Nebraska Public Power District bond resolution requirements will be available for plant decommissioning, which is to begin with the assumed plant shutdown in September 2004. The funding schedule assumes a long-term return on funds in the trust of 6.75% annually. Certain funds will be required to be invested on a short-term basis when decommissioning begins and are assumed to earn at a rate of 4.0% annually. MidAmerican Energy's expense for Cooper decommissioning was \$11.5 million, \$11.3 million and \$7.9 million for the years 2000, 1999 and 1998, respectively, and is included in Other Operating Expenses in the Consolidated Statements of Income. Earnings from the internal account and external trust fund, which are recognized by the Nebraska Public Power District as the owner of the plant, are tax exempt and serve to reduce future funding requirements.

External trusts have been established for the investment of funds for decommissioning the Quad Cities Station. The total accrued balance as of December 31, 2000, was \$153.1 million and is included in Other Liabilities and a like amount is reflected in Investments and represents the fair value of the assets held in the trusts.

MidAmerican Energy's depreciation expense included costs for Quad Cities Station nuclear decommissioning of \$8.3 million, \$10.4 million and \$11.4 million for 2000, 1999 and 1998, respectively. The provision charged to expense is equal to the funding that is being collected in rates. The decommissioning funding component of MidAmerican Energy's Illinois and Iowa tariffs assumes decommissioning costs, related to the Quad Cities Station, will escalate at an annual rate of 4.5% and the assumed annual return on funds in the trust is 6.9%. Earnings, net of investment fees, on the assets in the trust fund were \$1.9 million, \$1.9 million and \$1.7 million for 2000, 1999 and 1998, respectively. See Note (11) for information regarding unrealized gains and losses.

(f) Nuclear Insurance:

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

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

The property coverage provides for property damage, stabilization and decontamination of the facility, disposal of the decontaminated material and premature decommissioning. For Quad Cities Station, Exelon Generation purchases primary and excess property insurance protection for the combined interests in Quad Cities Station, with coverage limits totaling \$2.1 billion. For Cooper, MidAmerican Energy and the Nebraska Public Power District separately purchase primary and excess property insurance protection for their respective obligations, with coverage limits of \$1.375 billion each. This structure provides that both MidAmerican Energy and the Nebraska Public Power District are covered for their respective 50% obligation in the event of a loss totaling up to \$2.75 billion. MidAmerican Energy also directly purchases extra expense/business interruption coverage for its share of replacement power and/or other extra expenses in the event of a covered accidental outage at Cooper or Quad Cities Station. The coverages purchased directly by MidAmerican Energy, and the property coverages purchased by Exelon Generation, which includes the interests of MidAmerican Energy, are underwritten by an industry mutual insurance company and contain provisions for retrospective premium assessments should two or more full policy-limit losses occur in one policy year. Currently, the maximum retrospective amounts that could be assessed against MidAmerican Energy from industry mutual policies for its obligations associated with Cooper and Quad Cities Station combined, total \$8.5 million.

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

(g) Coal and Natural Gas Contract Commitments:

MidAmerican Energy has entered into supply and related transportation contracts for its fossil fueled generating stations. The contracts, with expiration dates ranging from 2001 to 2007, require minimum payments of \$64.0 million, \$37.1 million, \$31.8 million, \$22.0 million, \$22.7 million for the years 2001 through 2005, respectively, and \$5.2 million for the years thereafter. MidAmerican Energy expects to supplement these coal contracts with additional contracts and spot market purchases to fulfill its future fossil fuel needs.

MidAmerican Energy has entered into various natural gas supply and transportation contracts for its gas operations. The minimum commitments under these contracts are \$61.3 million, \$42.2 million, \$33.0 million, \$12.9 million and \$12.7 million for the years 2001 through 2005, respectively, and \$39.2 million for the total of the years thereafter.

(5) RETIREMENT PLANS:

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

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

In 1999, the noncontributory cash balance defined benefit pension plans, the noncontributory, nonqualified supplemental executive retirement plan, and the postretirement plans were amended to include participants from MidAmerican Energy Holdings and its domestic subsidiaries. Prior to the amendment, these plans included only employees and participants of MidAmerican Energy, MidAmerican Capital and Midwest Capital. This inclusion increased the benefit obligation by \$14.8 million for the pension and nonqualified supplemental retirement plans and \$2.8 million for the postretirement plans and is reflected in the Benefit Obligation of MidAmerican Energy as of December 31, 1999.

The postretirement plan was amended on January 1, 1999, increasing the retiree co-payment for prescription drugs. This decrease in benefit obligation is reflected for December 31, 1998.

During 2000, MidAmerican Energy adopted a market-related valuation of its pension assets for purposes of calculating net periodic pension costs. This change conforms MidAmerican Energy's accounting practices for pension costs to those of MidAmerican Energy Holdings. Net periodic pension, supplemental retirement and postretirement benefit costs included the following components for MidAmerican Energy and the aforementioned affiliates for the years ended December 31 (in thousands). MidAmerican Energy was allocated 83%, 97%, and 99% of the total pension and postretirement net periodic cost in 2000, 1999, and 1998, respectively. In 2000, MidAmerican Energy was allocated an \$11.1 million pension credit and \$9.0 million of postretirement cost.

	Pension Cost			Postretirement Cost		
	2000	1999	1998	2000	1999	1998
Service cost	\$16,256	\$12,192	\$11,284	\$2,609	\$ 3,066	\$ 3,558
Interest cost	35,387	31,557	29,941	8,354	7,947	9,344
Expected return on plan assets	(48,132)	(46,265)	(42,578)	(4,931)	(4,380)	(3,651)
Amortization of net transition obligation	(2,591)	(2,591)	(2,591)	4,110	4,110	5,291
Amortization of prior service cost.....	2,885	1,428	1,871	425	216	650
Amortization of prior year gain.....	(4,119)	(2,703)	(2,802)	(873)	(181)	-
Curtailment loss	-	5,283	-	-	-	-
Net periodic (benefit) cost.....	<u>\$ (314)</u>	<u>\$(1,099)</u>	<u>\$(4,875)</u>	<u>\$ 9,694</u>	<u>\$10,778</u>	<u>\$15,192</u>

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

Although the supplemental executive retirement plans had no plan assets as of December 31, 2000, MidAmerican Energy has Rabbi trusts which hold corporate-owned life insurance and other investments to provide funding for the future cash requirements. Because these plans are nonqualified, the fair value of these assets is not included in the following table. The fair value of the Rabbi trust investments was \$44.7 million and \$37.9 million at December 31, 2000 and 1999, respectively.

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

The projected benefit obligation and accumulated benefit obligation for the supplemental executive retirement plans were \$82.7 million and \$77.5 million, respectively, as of December 31, 2000, and \$68.8 million and \$65.5 million, respectively, as of December 31, 1999.

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

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Reconciliation of benefit obligation:				
Benefit obligation at beginning of year	\$447,170	\$456,475	\$107,744	\$120,188
Service cost	16,256	12,192	2,609	3,066
Interest cost	35,387	31,556	8,354	7,947
Participant contributions	74	107	2,395	1,838
Plan amendments	(132)	14,823	-	2,775
Actuarial (gain) loss	6,007	(41,567)	20,589	(18,248)
Curtailment	-	(705)	-	-
Termination benefits	-	3,471	-	-
Benefits paid	<u>(32,413)</u>	<u>(29,182)</u>	<u>(9,869)</u>	<u>(9,822)</u>
Benefit obligation at end of year	<u>472,349</u>	<u>447,170</u>	<u>131,822</u>	<u>107,744</u>
Reconciliation of the fair value of plan assets:				
Fair value of plan assets at beginning of year....	605,059	524,508	72,622	63,093
Employer contributions	4,355	4,201	10,543	12,405
Participant contributions	74	107	2,395	1,838
Actual return on plan assets	(21,867)	105,425	(601)	5,108
Benefits paid	<u>(32,413)</u>	<u>(29,182)</u>	<u>(9,869)</u>	<u>(9,822)</u>
Fair value of plan assets at end of year	<u>555,208</u>	<u>605,059</u>	<u>75,090</u>	<u>72,622</u>
Funded status	82,859	157,889	(56,732)	(35,122)
Unrecognized net (gain) loss.....	(130,423)	(200,591)	1,326	(25,669)
Unrecognized prior service cost.....	24,962	27,980	4,689	5,114
Unrecognized net transition obligation (asset)	<u>(8,566)</u>	<u>(11,156)</u>	<u>49,322</u>	<u>53,433</u>
Net amount recognized in the Consolidated Balance Sheets	<u>\$ (31,168)</u>	<u>\$ (25,878)</u>	<u>\$ (1,395)</u>	<u>\$ (2,244)</u>
Amounts recognized in the Consolidated Balance Sheets consist of:				
Prepaid benefit cost.....	\$ 16,773	\$ 17,034	\$ 1,493	\$ 1,042
Accrued benefit liability.....	(77,538)	(65,533)	(2,888)	(3,286)
Intangible asset.....	25,510	22,621	-	-
Accumulated other comprehensive loss	<u>4,087</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net amount recognized.....	<u>\$ (31,168)</u>	<u>\$ (25,878)</u>	<u>\$ (1,395)</u>	<u>\$ (2,244)</u>

	Pension and Postretirement Assumptions		
	2000	1999	1998
Assumptions used were:			
Discount rate	7.00%	7.75%	6.75%
Rate of increase in compensation levels.....	5.00%	5.00%	5.00%
Weighted average expected long-term rate of return on assets.....	9.00%	9.00%	9.00%

For purposes of calculating the postretirement benefit obligation, it is assumed health care costs for covered individuals prior to age 65 will increase by 6.65% in 2001 and that the rate of increase thereafter will decrease to an ultimate rate of 5.50% by the year 2004. For covered individuals age 65 and older, it is assumed health care costs will increase by 5.5% annually.

If the assumed health care trend rates used to measure the expected cost of benefits covered by the plans were increased by 1.0%, the total service and interest cost for 2000 would increase by \$1.6 million, and the postretirement benefit obligation at December 31, 2000, would increase by \$16.5 million. If the assumed health care trend rates were to decrease by 1.0%, the total service and interest cost for 2000 would decrease by \$1.4 million and the postretirement benefit obligation at December 31, 2000, would decrease by \$15.1 million.

MidAmerican Energy sponsors defined contribution pension plans (401(k) plans) covering substantially all employees. MidAmerican Energy's contributions vary depending on the plan but are based primarily on each participant's level of contribution and cannot exceed the maximum allowable for tax purposes. Total contributions were \$7.4 million, \$6.2 million and \$5.6 million for 2000, 1999 and 1998, respectively.

(6) SHORT-TERM BORROWING:

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

	2000	1999	1998
Balance at year-end	\$ 81,600	\$204,000	\$206,221
Weighted average interest rate on year-end balance.....	6.6%	6.3%	5.9%
Average daily amount outstanding during the year.....	\$109,213	\$133,792	\$104,557
Weighted average interest rate on average daily amount outstanding during the year.....	6.2%	5.2%	5.6%

MidAmerican Energy has authority from the Federal Energy Regulatory Commission to issue short-term debt in the form of commercial paper and bank notes aggregating \$400 million. MidAmerican Energy currently has in place a \$370.4 million revolving credit facility which supports its \$250 million commercial paper program and its variable rate pollution control revenue obligations. In addition, MidAmerican Energy has a \$5 million line of credit.

(7) RATE MATTERS:

Under a 1997 pricing plan settlement agreement resulting from an Iowa Utilities Board rate proceeding, electric prices for MidAmerican Energy's Iowa industrial and commercial customers were reduced through a retail access pilot project, negotiated individual electric contracts and a tariffed rate reduction for some non-contract commercial customers.

The negotiated electric contracts have differing terms and conditions as well as prices. The vast majority of the contracts expire during the period 2003 through 2005, although some large customers have contracts extending to 2008. Some of the contracts have price renegotiation and early termination provisions exercisable by either party. Prices are set as fixed prices; however, many contracts allow for potential price adjustments with respect to environmental costs, government imposed public purpose programs, tax changes, and transition costs. While the contract prices are fixed (except for the potential adjustment elements), the costs MidAmerican Energy incurs to fulfill these contracts will vary. On an aggregate basis the annual revenues under contract are approximately \$180 million.

Under the 1997 pricing plan settlement agreement, if MidAmerican Energy's annual Iowa electric jurisdictional return on common equity exceeds 12%, then earnings above the 12% level will be shared equally between customers and MidAmerican Energy. If the return exceeds 14%, then two-thirds of MidAmerican Energy's share of those earnings above the 14% level will be used for accelerated recovery of certain regulatory assets. During 2000, MidAmerican Energy credited \$14.8 million to its Iowa non-contract customers related to the return calculation for 1999, which was approved by the Iowa Utilities Board, subject to additional refund. In 2000, MidAmerican Energy accrued \$21.6 million for customer credits relating to 2000 operations. This Iowa electric retail revenue sharing plan remained in effect through the year 2000. The rates established by the pricing plan settlement agreement will remain in effect until either the plan is renegotiated or a change in rates is approved by the Iowa Utilities Board pursuant to a rate proceeding.

The pricing plan settlement agreement also precluded MidAmerican Energy from filing for increased rates prior to January 1, 2001 unless the return fell below 9%. Other parties signing the agreement were prohibited from filing for reduced rates prior to 2001 unless the return, after reflecting credits to customers, exceeded 14%. The agreement also eliminated MidAmerican Energy's energy adjustment clause, and, as a result, the cost of fuel is not directly passed on to customers.

Under an Illinois restructuring law enacted in 1997, a similar sharing mechanism is in place for MidAmerican Energy's Illinois electric operations. A two-year average return on common equity greater than a two-year average benchmark will trigger an equal sharing of earnings on the excess. MidAmerican Energy's computed level of return on common equity is based on a rolling two-year average of the 30-year Treasury Bond rates plus a premium of 5.50% for 1998 and 1999 and a premium of 8.5% for 2000 through 2004. The two-year average above which sharing must occur for 2000 was 12.83%. Using the same 30-year Treasury Bond average, the computed level of return would be 14.33% for 2001 through 2004. The law allows MidAmerican Energy to mitigate the sharing of earnings above the threshold return on common equity through accelerated recovery of regulatory assets.

(8) CONCENTRATION OF CREDIT RISK:

MidAmerican Energy's regulated electric utility operations serve 582,000 customers in Iowa, 83,000 customers in western Illinois and 4,000 customers in southeastern South Dakota. MidAmerican Energy's regulated gas utility operations serve 508,000 customers in Iowa, 65,000 customers in western Illinois, 69,000 customers in southeastern South Dakota and 5,000 customers in northeastern Nebraska.

The largest communities served by MidAmerican Energy are the Iowa and Illinois Quad-Cities; Des Moines, Sioux City, Cedar Rapids, Waterloo, Iowa City and Council Bluffs, Iowa; and Sioux Falls, South Dakota. MidAmerican Energy's utility operations grant unsecured credit to customers, substantially all of whom are local businesses and residents. As of December 31, 2000, billed receivables from MidAmerican Energy's utility customers, net of receivables sold, totaled \$5.3 million. As described in Note (15), billed receivables related to utility services have been sold to a wholly owned unconsolidated subsidiary.

MidAmerican Energy also extends unsecured credit to utility service customers, other utilities and marketers for nonregulated electric and gas transactions. Strict guidelines are established regarding the amount of unsecured credit extended to individual customers. MidAmerican Energy's credit exposure to any individual did not exceed 7% of the \$83.6 million of related receivables outstanding at December 31, 2000.

(9) PREFERRED SHARES:

The \$5.25 Series Preferred Shares are subject to mandatory redemption on November 1, 2003 at \$100 per share. The \$7.80 Series Preferred Shares have sinking fund requirements under which 66,600 shares will be redeemed at \$100 per share each May 1, beginning in 2001 through May 1, 2006.

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

The total outstanding cumulative preferred securities of MidAmerican Energy not subject to mandatory redemption requirements may be redeemed at the option of MidAmerican Energy at prices which, in the aggregate, total \$32.6 million. The aggregate total the holders of all preferred securities outstanding at December 31, 2000, are entitled to upon involuntary bankruptcy is \$181.8 million plus accrued dividends. Annual dividend requirements for all preferred securities outstanding at December 31, 2000, total \$12.9 million.

(10) SEGMENT INFORMATION:

MidAmerican Energy has two reportable operating segments: regulated electric and regulated gas, referred to as the electric and gas segments. The electric segment derives most of its revenue from retail sales of electricity to residential, commercial, and industrial customers and from wholesale sales to other utilities. The gas segment derives most of its revenue from retail sales of natural gas to residential, commercial, and industrial customers and also earns significant revenues by transporting gas owned by others through its distribution systems. Pricing for 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. Common operating costs, interest income, interest expense, income tax expense, and equity in the net income or loss of investees are allocated to each segment.

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

	<u>2000</u>	<u>1999</u>	<u>1998</u>
<u>Segment Profit Information</u>			
Revenues:			
Electric	\$1,212,411	\$1,178,702	\$1,169,810
Gas	656,560	454,802	429,870
Nonregulated and other	449,218	157,532	107,509
Total	<u>2,318,189</u>	<u>1,791,036</u>	<u>1,707,189</u>
Depreciation and amortization expense:			
Electric	169,163	163,270	156,546
Gas	27,981	27,277	25,665
Total	<u>197,144</u>	<u>190,547</u>	<u>182,211</u>
Interest income:			
Electric	13,510	2,916	4,945
Gas	2,383	604	1,169
Nonregulated and other	19	-	2
Intersegment eliminations	(413)	(480)	-
Total	<u>15,499</u>	<u>3,040</u>	<u>6,116</u>
Interest expense:			
Electric	56,132	62,394	66,784
Gas	12,759	13,247	14,011
Nonregulated and other	425	480	149
Intersegment eliminations	(413)	(480)	-
Total	<u>68,903</u>	<u>75,641</u>	<u>80,944</u>
Income tax expense:			
Electric	96,726	86,315	75,831
Gas	13,972	5,205	(800)
Nonregulated and other	(237)	(3,067)	1,011
Total	<u>110,461</u>	<u>88,453</u>	<u>76,042</u>
Earnings on common stock:			
Electric	140,604	120,083	109,539
Gas	19,227	6,521	(435)
Nonregulated and other	670	(4,228)	1,537
Total	<u>160,501</u>	<u>122,376</u>	<u>110,641</u>

	<u>2000</u>	<u>1999</u>	<u>1998</u>
<u>Segment Asset Information</u>			
Total Assets:			
Electric	\$3,149,650	\$2,904,935	\$2,897,657
Gas	632,934	687,668	672,072
Nonregulated and other	<u>40,982</u>	<u>16,988</u>	<u>15,801</u>
Total	<u>3,823,566</u>	<u>3,609,591</u>	<u>3,585,530</u>
Capital expenditures:			
Electric	179,033	169,261	158,596
Gas	36,694	34,314	34,758
Nonregulated and other	<u>1,075</u>	<u>540</u>	<u>21,065</u>
Total	<u>216,802</u>	<u>204,115</u>	<u>214,419</u>

“Nonregulated and other” consists of nonregulated gas, CBEC Railway and other nonregulated operations.

As a result of an intersegment loan, electric segment interest income includes \$339,000 and \$389,000, and gas segment interest income includes \$74,000 and \$91,000 for 2000 and 1999, respectively. Interest expense for nonregulated and other includes expense of \$413,000 and \$480,000 for 2000 and 1999, respectively. These amounts were eliminated from consolidated interest income and interest expense.

(11) FAIR VALUE OF FINANCIAL INSTRUMENTS:

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

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

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

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

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

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

Gas futures contracts and swaps - Fair value of the futures contracts are based on quoted market prices and generally have maturities of one year or less. The fair value of the swaps is estimated based on

quotes from the market makers of these instruments and represents the estimated amounts that would expect to be received or paid to terminate the agreements. See Note 1(i) for additional discussion of fair value.

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

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Instruments Issued by MidAmerican Energy:				
MidAmerican Energy preferred securities; subject to mandatory redemption	\$ 50,000	\$ 50,700	\$ 50,000	\$ 52,025
MidAmerican Energy-obligated preferred securities; subject to mandatory redemption	100,000	98,752	100,000	87,240
Long-term debt, including current portion	921,682	925,349	870,499	853,015

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

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

	1999			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity Securities	\$ 47,921	\$30,343	\$ (1,063)	\$ 77,201
Municipal Bonds	30,913	868	(355)	31,426
U.S. Government Securities	14,159	78	(123)	14,114
Corporate Debt Securities	15,423	5	(492)	14,936
Cash equivalents	3,969	-	-	3,969
	<u>\$112,385</u>	<u>\$31,294</u>	<u>\$ (2,033)</u>	<u>\$141,646</u>

At December 31, 2000, the debt securities, which include municipal bonds, U.S. Government securities and corporate securities, held in the Quad Cities Station nuclear decommissioning trust fund had the following maturities (in thousands):

	<u>Available for Sale</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>
Within 1 year.....	\$ 1,722	\$ 1,742
1 through 5 years.....	34,281	35,028
5 through 10 years.....	8,843	9,343
Over 10 years	23,905	24,351

The proceeds and the gross realized gains and losses on the disposition of investments held in the Quad Cities Station nuclear decommissioning trust fund for the years ended December 31 are as follows (in thousands):

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Proceeds from sales.....	\$34,279	\$24,684	\$29,380
Gross realized gains	3,356	615	1,073
Gross realized losses	(4,515)	(2,704)	(2,690)

(12) INCOME TAX EXPENSE:

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

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Current			
Federal	\$105,754	\$ 95,967	\$ 69,266
State	<u>32,450</u>	<u>29,553</u>	<u>25,154</u>
	<u>138,204</u>	<u>125,520</u>	<u>94,420</u>
Deferred			
Federal	(18,174)	(25,657)	(8,666)
State	<u>(4,021)</u>	<u>(5,746)</u>	<u>(4,007)</u>
	<u>(22,195)</u>	<u>(31,403)</u>	<u>(12,673)</u>
Investment tax credit, net.....	<u>(5,548)</u>	<u>(5,664)</u>	<u>(5,705)</u>
Total	<u>\$110,461</u>	<u>\$ 88,453</u>	<u>\$ 76,042</u>

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

	<u>2000</u>	<u>1999</u>
Deferred tax assets related to:		
Investment tax credits.....	\$ 44,846	\$ 48,427
Pensions	17,820	14,595
Nuclear reserves and decommissioning	20,690	20,280
Other	<u>1,138</u>	<u>-</u>
	<u>84,494</u>	<u>83,302</u>
Deferred tax liabilities related to:		
Depreciable property	421,481	424,306
Income taxes recoverable through future rates ..	186,427	187,379
Energy efficiency	4,391	14,806
Reacquired debt	10,256	13,117
Other	<u>2,547</u>	<u>4,694</u>
	<u>625,102</u>	<u>644,302</u>
Net deferred income tax liability.....	<u>\$540,608</u>	<u>\$561,000</u>

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

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Effective federal and state income tax rate.....	39%	40%	38%
Amortization of investment tax credit.....	2	3	3
State income tax, net of federal income tax benefit	(7)	(7)	(7)
Other	<u>1</u>	<u>(1)</u>	<u>1</u>
Statutory federal income tax rate.....	<u>35%</u>	<u>35%</u>	<u>35%</u>

(13) INVENTORIES:

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

	<u>2000</u>	<u>1999</u>
Materials and supplies, at average cost	\$26,038	\$30,195
Coal stocks, at average cost	21,076	26,712
Gas in storage, at LIFO cost.....	18,413	21,449
Fuel oil, at average cost	2,506	1,156
Other	<u>1,097</u>	<u>1,137</u>
Total	<u>\$69,130</u>	<u>\$80,649</u>

At December 31, 2000 prices, the current cost of gas in storage was \$107.0 million.

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

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

The Debentures may be redeemed by MidAmerican Energy on or after December 18, 2001, or at an earlier time if there is more than an insubstantial risk that interest paid on the Debentures will not be deductible for federal income tax purposes. If the Debentures, or a portion thereof, are redeemed, MidAmerican Energy Financing must redeem a like amount of the Preferred Securities. If a termination of MidAmerican Energy Financing occurs, MidAmerican Energy Financing will distribute to the holders of the Preferred Securities a like amount of the Debentures unless such a distribution is determined not to be practicable. If such determination is made, the holders of the Preferred Securities will be entitled to receive, out of the assets of the trust after satisfaction of its liabilities, a liquidation amount of \$25 for each Preferred Security held plus accrued and unpaid distributions.

(15) SALE OF ACCOUNTS RECEIVABLE:

In 1997 MidAmerican Energy entered into a revolving agreement, which expires in 2002, to sell all of its right, title and interest in the majority of its billed accounts receivable to MidAmerican Energy Funding Corporation, a special purpose entity established to purchase accounts receivable from MidAmerican Energy. MidAmerican Energy Funding Corporation in turn sells receivable interests to outside investors. In consideration of the sale, MidAmerican Energy received cash and a subordinated note, bearing interest at 8%, from MidAmerican Energy Funding Corporation. As of December 31, 2000, the revolving cash balance was \$70 million, and the amount outstanding under the subordinated note was \$114.9 million. The agreement is structured as a true sale under which the creditors of MidAmerican Energy Funding Corporation will be entitled to be satisfied out of the assets of MidAmerican Energy Funding Corporation prior to any value being returned to MidAmerican Energy or its creditors. Therefore, the accounts receivable sold are not reflected on the Consolidated Balance Sheets. At December 31, 2000, \$185.8 million of accounts receivable, net of reserves, was sold under the agreement.

(16) AFFILIATED COMPANY TRANSACTIONS:

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

MHC incurred charges which are of general benefit to all of its subsidiaries. These costs were for administrative and general salaries and expenses, outside services, director fees, pension, deferred compensation, and retirement costs, some of which originated at MidAmerican Energy. MHC reimbursed MidAmerican Energy for charges originating at MidAmerican Energy in the amount of \$1.9 million, \$7.7 million, and \$12.2 million for 2000, 1999 and 1998, respectively. MidAmerican Energy's allocated share

of these costs and those which originated at MHC was \$(0.3) million, \$7.7 million and \$15.3 million for 2000, 1999 and 1998, respectively.

MidAmerican Energy was also reimbursed for charges incurred on behalf of its affiliates. The majority of these reimbursed expenses was for employee wages and benefits, insurance, building rent, computer costs, administrative services, travel expense, and general and administrative expense; including treasury, legal, shareholder relations and accounting functions. The amount of such expenses was \$25.8 million, \$11.7 million and \$3.2 million for 2000, 1999 and 1998, respectively.

MidAmerican Energy purchased a corporate jet from MidAmerican Energy Holdings for \$14.5 million in 1999. MidAmerican Energy also reimbursed MidAmerican Energy Holdings in the amount of \$9.5 million and \$5.0 million in 2000 and 1999, respectively, for its allocated share of corporate expenses.

MidAmerican Energy leases unit trains from an affiliate for the transportation of coal to MidAmerican Energy's generating stations. Unit train costs, including maintenance, were approximately \$0.4 million, \$1.0 million and \$2.1 million for 2000, 1999 and 1998, respectively. MidAmerican Energy purchased railcars from MidAmerican Rail Inc. in the amount of \$1.4 million in 1999.

MidAmerican Energy purchased natural gas from AmGas, an affiliate. MidAmerican Energy's cost of gas related to these transactions was \$1.3 million, \$4.0 million and \$2.2 million for 2000, 1999 and 1998, respectively. MidAmerican Energy also sold natural gas to AmGas in the amount of \$32.0 million, \$42.3 million and \$24.8 million for 2000, 1999 and 1998, respectively.

MidAmerican Energy purchased natural gas from InterCoast Trade and Resources, an affiliate, in the amount of \$2.0 million for 1998. MidAmerican Energy also sold natural gas to InterCoast Trade and Resources in the amount of \$1.6 million for 1998.

MidAmerican Energy had accounts receivable from affiliates of \$3.7 million and \$8.9 million as of December 31, 2000 and 1999, respectively, that are included in Receivables on the Consolidated Balance Sheets. MidAmerican Energy also had accounts payable to affiliates of \$2.5 million and \$12.9 million as of December 31, 2000 and 1999, respectively, that are included in Accounts Payable on the Consolidated Balance Sheets.

MidAmerican Energy has entered into an agreement with Cordova Energy Company LLC, a subsidiary of MidAmerican Energy Holdings, to purchase electric capacity and energy from a gas-fired generation plant currently under construction. The plant is expected to be commercially operational by June 1, 2001. The agreement, which terminates in May 2004, provides for MidAmerican Energy to purchase up to 50% of the net capacity of the plant and to supply the fuel stock required to generate the energy purchased. MidAmerican Energy is required to pay monthly capacity charges once the plant becomes commercially operational. The charges are expected to be approximately \$24 million annually.

(17) UNAUDITED QUARTERLY OPERATING RESULTS:

	2000			
	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
	(In thousands)			
Operating revenues	\$514,852	\$469,062	\$553,433	\$780,842
Operating income.....	95,977	61,067	123,215	58,497
Income from continuing operations.....	44,799	23,875	64,431	32,351
Earnings on common stock	43,560	22,637	63,192	31,112

	1999			
	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>
	(In thousands)			
Operating revenues	\$468,248	\$378,341	\$458,395	\$486,052
Operating income.....	69,350	55,904	116,843	57,967
Income from continuing operations.....	26,184	20,352	58,995	21,800
Earnings on common stock	24,945	19,114	57,756	20,561

The quarterly data reflect seasonal variations common in the utility industry.

(18) OTHER INFORMATION:

Non-Operating - Other, Net, as shown on the Consolidated Statements of Income includes the following for the years ended December 31 (in thousands):

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Discount on sold receivables.....	\$(10,212)	\$(9,457)	\$(8,716)
Subservicer fee for sold receivables	1,905	1,515	1,714
Gain on sale of rail cars.....	-	5,357	-
Corporate-owned life insurance income.....	9,299	251	1,537
Merger investigation costs	(297)	(1,491)	-
Other	<u>(2,150)</u>	<u>126</u>	<u>(1,012)</u>
Total (expense) income.....	<u>\$ (1,455)</u>	<u>\$(3,699)</u>	<u>\$(6,477)</u>

INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholder
MidAmerican Energy Company
Des Moines, Iowa

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of MidAmerican Energy Company and subsidiaries (Company) as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, retained earnings, and cash flows for the years then ended. Our audits also included the 2000 and 1999 financial statement schedules listed in the Index at Item 14. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such 2000 and 1999 consolidated financial statements present fairly, in all material respects, the financial position of MidAmerican Energy Company and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such 2000 and 1999 financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

Des Moines, Iowa
January 18, 2001

Report of Independent Accountants

To the Board of Directors and Shareholder
MidAmerican Energy Company

In our opinion, the accompanying consolidated statements of income, comprehensive income, retained earnings and cash flows for the year ended December 31, 1998, present fairly, in all material respects, the results of operations and cash flows of MidAmerican Energy Company and its subsidiaries for the year ended December 31, 1998, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule information for the year ended December 31, 1998, listed in the accompanying index, presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements for the year ended December 31, 1998. These financial statements and financial statement schedule information are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule information based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We have not audited the consolidated financial statements of MidAmerican Energy Company for any period subsequent to December 31, 1998.

/s/ PricewaterhouseCoopers LLP

Kansas City, Missouri
January 22, 1999 except with respect to
Note (1)(a) as to which the date is
March 12, 1999

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 2000
(In thousands)

Column A	Column B	Column C	Column D	Column E
<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions Charged to Income</u>	<u>Deductions</u>	<u>Balance at End of Year</u>
Reserves Deducted From Assets To Which They Apply:				
Reserve for uncollectible accounts:				
Year ended 2000.....	<u>\$ -</u>	<u>\$ 8,498</u>	<u>\$(8,396)</u>	<u>\$ 102</u>
Year ended 1999.....	<u>\$ -</u>	<u>\$ 6,581</u>	<u>\$(6,581)</u>	<u>\$ -</u>
Year ended 1998.....	<u>\$ -</u>	<u>\$ 6,915</u>	<u>\$ 6,915</u>	<u>\$ -</u>
Reserves Not Deducted From Assets (1):				
Year ended 2000.....	<u>\$8,051</u>	<u>\$ 3,316</u>	<u>\$(3,221)</u>	<u>\$8,146</u>
Year ended 1999.....	<u>\$4,688</u>	<u>\$ 4,906</u>	<u>\$(1,543)</u>	<u>\$8,051</u>
Year ended 1998.....	<u>\$5,257</u>	<u>\$ 1,148</u>	<u>\$(1,717)</u>	<u>\$4,688</u>

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

EXHIBIT INDEX

Exhibits Filed Herewith

- 12 Computation of ratios of earnings to fixed charges and computation of ratios of earnings to fixed charges plus preferred dividend requirements

Exhibits Incorporated by Reference

- 3.1 Restated Articles of Incorporation of MidAmerican Energy Company, as amended October 27, 1998. (Filed as Exhibit 3.3 to MidAmerican Energy's Quarterly Report on Form 10-Q for the period ended September 30, 1998, Commission File No. 1-11505.)
- 3.2 Restated Bylaws of MidAmerican Energy Company, as amended July 24, 1996. (Filed as Exhibit 3.1 to MidAmerican Energy's Quarterly Report on Form 10-Q for the period ended June 30, 1996, Commission File No. 1-11505.)
- 4.1 General Mortgage Indenture and Deed of Trust dated as of January 1, 1993, between Midwest Power Systems Inc. and Morgan Guaranty Trust Company of New York, Trustee. (Filed as Exhibit 4(b)-1 to Midwest Resources Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-10654.)
- 4.2 First Supplemental Indenture dated as of January 1, 1993, between Midwest Power Systems Inc. and Morgan Guaranty Trust Company of New York, Trustee. (Filed as Exhibit 4(b)-2 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-10654.)
- 4.3 Second Supplemental Indenture dated as of January 15, 1993, between Midwest Power Systems Inc. and Morgan Guaranty Trust Company of New York, Trustee. (Filed as Exhibit 4(b)-3 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-10654.)
- 4.4 Third Supplemental Indenture dated as of May 1, 1993, between Midwest Power Systems Inc. and Morgan Guaranty Trust Company of New York, Trustee. (Filed as Exhibit 4.4 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-10654.)
- 4.5 Fourth Supplemental Indenture dated as of October 1, 1994, between Midwest Power Systems Inc. and Harris Trust and Savings Bank, Trustee. (Filed as Exhibit 4.5 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1994, Commission File No. 1-10654.)
- 4.6 Fifth Supplemental Indenture dated as of November 1, 1994, between Midwest Power Systems Inc. and Harris Trust and Savings Bank, Trustee. (Filed as Exhibit 4.6 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1994, Commission File No. 1-10654.)
- 4.7 Indenture of Mortgage and Deed of Trust, dated as of March 1, 1947. (Filed by Iowa-Illinois as Exhibit 7B to Commission File No. 2-6922.)

- 4.8 Sixth Supplemental Indenture dated as of July 1, 1967. (Filed by Iowa-Illinois as Exhibit 2.08 to Commission File No. 2-28806.)
- 4.9 Twentieth Supplemental Indenture dated as of May 1, 1982. (Filed as Exhibit 4.B.23 to Iowa-Illinois' Quarterly Report on Form 10-Q for the period ended June 30, 1982, Commission File No. 1-3573.)
- 4.10 Resignation and Appointment of successor Individual Trustee. (Filed by Iowa-Illinois as Exhibit 4.B.30 to Commission File No. 33-39211.)
- 4.11 Twenty-Eighth Supplemental Indenture dated as of May 15, 1992. (Filed as Exhibit 4.31.B to Iowa-Illinois' Current Report on Form 8-K dated May 21, 1992, Commission File No. 1-3573.)
- 4.12 Twenty-Ninth Supplemental Indenture dated as of March 15, 1993. (Filed as Exhibit 4.32.A to Iowa-Illinois' Current Report on Form 8-K dated March 24, 1993, Commission File No. 1-3573.)
- 4.13 Thirtieth Supplemental Indenture dated as of October 1, 1993. (Filed as Exhibit 4.34.A to Iowa-Illinois' Current Report on Form 8-K dated October 7, 1993, Commission File No. 1-3573.)
- 4.14 Sixth Supplemental Indenture dated as of July 1, 1995, between Midwest Power Systems Inc. and Harris Trust and Savings Bank, Trustee. (Filed as Exhibit 4.15 to MidAmerican Energy's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)
- 4.15 Thirty-First Supplemental Indenture dated as of July 1, 1995, between Iowa-Illinois Gas and Electric Company and Harris Trust and Savings Bank, Trustee. (Filed as Exhibit 4.16 to MidAmerican Energy's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)
- 10.1 MidAmerican Energy Company Severance Plan For Specified Officers dated November 1, 1996. (Filed as Exhibit 10.1 to Holdings' and MidAmerican Energy's respective Annual Reports on the combined Form 10-K for the year ended December 31, 1996, Commission File Nos. 1-12459 and 1-11505, respectively.)
- 10.2 MidAmerican Energy Company Restated Executive Deferred Compensation Plan. (Filed as Exhibit 10.2 to MidAmerican Energy's Quarterly Report on Form 10-Q dated March 31, 1999, Commission File No. 1-11505.)
- 10.3 MidAmerican Energy Company Combined Midwest Resources/Iowa Resources Restated Deferred Compensation Plan for Board of Directors. (Filed as Exhibit 10.1 to MidAmerican Energy's Quarterly Report on Form 10-Q dated March 31, 1999, Commission File No. 1-11505.)
- 10.4 MidAmerican Energy Company Supplemental Retirement Plan for Designated Officers. (Filed as Exhibit 10.3 to MidAmerican Energy's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)
- 10.5 Midwest Resources Inc. Supplemental Retirement Plan (formerly the Midwest Energy Company Supplemental Retirement Plan). (Filed as Exhibit 10.10 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-10654.)

- 10.6 Power Sales Contract between Iowa Power Inc. and Nebraska Public Power District, dated September 22, 1967. (Filed as Exhibit 4-C-2 to Iowa Power Inc.'s (IPR) Registration Statement, Registration No. 2-27681.)
- 10.7 Amendments Nos. 1 and 2 to Power Sales Contract between Iowa Power Inc. and Nebraska Public Power District. (Filed as Exhibit 4-C-2a to IPR's Registration Statement, Registration No. 2-35624.)
- 10.8 Amendment No. 3 dated August 31, 1970, to the Power Sales Contract between Iowa Power Inc. and Nebraska Public Power District, dated September 22, 1967. (Filed as Exhibit 5-C-2-b to IPR's Registration Statement, Registration No. 2-42191.)
- 10.9 Amendment No. 4 dated March 28, 1974, to the Power Sales Contract between Iowa Power Inc. and Nebraska Public Power District, dated September 22, 1967. (Filed as Exhibit 5-C-2-c to IPR's Registration Statement, Registration No. 2-51540.)
- 10.10 Supplemental Retirement Plan for Principal Officers, as amended as of July 1, 1993. (Filed as Exhibit 10.K.2 to Iowa-Illinois' Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-3573.)
- 10.11 Compensation Deferral Plan for Principal Officers, as amended as of July 1, 1993. (Filed as Exhibit 10.K.2 to Iowa-Illinois' Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-3573.)
- 10.12 Board of Directors' Compensation Deferral Plan. (Filed as Exhibit 10.K.4 to Iowa-Illinois' Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-3573.)
- 10.13 Amendment No. 1 to the Midwest Resources Inc. Supplemental Retirement Plan. (Filed as Exhibit 10.24 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1994, Commission File No. 1-10654.)
- 10.14 Form of Indemnity Agreement between MidAmerican Energy Company and its directors and officers. (Filed as Exhibit 10.37 to MidAmerican's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)
- 10.15 Amendment No. 5 dated September 2, 1997, to the Power Sales contract between MidAmerican Energy Company and Nebraska Public Power District, dated September 22, 1967. (Filed as Exhibit 10.2 to Holdings' and MidAmerican Energy's respective Quarterly Reports on the combined Form 10-Q for the quarter ended September 30, 1997, Commission File Nos. 1-12459 and 1-11505, respectively.)
- 10.16 Iowa Utilities Board Settlement Agreement (Filed as Exhibit 10.16 to MidAmerican Energy's Annual Report on Form 10-K dated December 31, 2000, Commission File No. 1-11505).

Note: Pursuant to (b) (4) (iii)(A) of Item 601 of Regulation S-K, the Company has not filed as an exhibit to this Form 10-K certain instruments with respect to long-term debt not registered in which the total amount of securities authorized thereunder does not exceed 10% of total assets of the Company, but hereby agrees to furnish to the Commission on request any such instruments.

MIDAMERICAN ENERGY COMPANY
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
AND COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
PLUS PREFERRED STOCK DIVIDEND REQUIREMENTS
(In Thousands)
(Unaudited)

	<u>Twelve Months Ended</u> <u>December 31, 2000</u>			<u>Twelve Months Ended</u> <u>December 31, 1999</u>			<u>Twelve Months Ended</u> <u>December 31, 1998</u>		
	<u>Supplemental (a)</u>			<u>Supplemental (a)</u>			<u>Supplemental (a)</u>		
		<u>Adjustment</u>	<u>As Adjusted</u>		<u>Adjustment</u>	<u>As Adjusted</u>		<u>Adjustment</u>	<u>As Adjusted</u>
Income from continuing operations	\$ 165,456	\$ -	\$ 165,456	\$ 127,331	\$ -	\$ 127,331	\$ 115,593	\$ -	\$ 115,593
Add (Deduct):									
Total income taxes	110,461	-	110,461	88,453	-	88,453	76,042	-	76,042
Interest on long-term debt	61,120	1,599	62,719	65,649	2,509	68,158	70,193	2,931	73,124
Other interest charges	9,056	-	9,056	11,249	-	11,249	14,128	-	14,128
Preferred stock dividends of subsidiary trust	7,980	-	7,980	7,980	-	7,980	7,980	-	7,980
Interest on leases	154	-	154	176	-	176	212	-	212
	<u>188,771</u>	<u>1,599</u>	<u>190,370</u>	<u>173,507</u>	<u>2,509</u>	<u>176,016</u>	<u>168,555</u>	<u>2,931</u>	<u>171,486</u>
Earnings available for fixed charges	<u>354,227</u>	<u>1,599</u>	<u>355,826</u>	<u>300,838</u>	<u>2,509</u>	<u>303,347</u>	<u>284,148</u>	<u>2,931</u>	<u>287,079</u>
Fixed Charges:									
Interest on long-term debt	61,120	1,599	62,719	65,649	2,509	68,158	70,193	2,931	73,124
Other interest charges	9,056	-	9,056	11,249	-	11,249	14,128	-	14,128
Preferred stock dividends of subsidiary trust	7,980	-	7,980	7,980	-	7,980	7,980	-	7,980
Interest on leases	154	-	154	176	-	176	212	-	212
Total fixed charges	<u>78,310</u>	<u>1,599</u>	<u>79,909</u>	<u>85,054</u>	<u>2,509</u>	<u>87,563</u>	<u>92,513</u>	<u>2,931</u>	<u>95,444</u>
Ratio of earnings to fixed charges	<u>4.52</u>	<u>-</u>	<u>4.45</u>	<u>3.54</u>	<u>-</u>	<u>3.46</u>	<u>3.07</u>	<u>-</u>	<u>3.01</u>
Preferred stock dividends	\$ 4,955	\$ -	\$ 4,955	\$ 4,955	\$ -	\$ 4,955	\$ 4,952	\$ -	\$ 4,952
Ratio of net income before income taxes to net income	1.6676	-	1.6676	1.6947	-	1.6947	1.6578	-	1.6578
Preferred stock dividend requirements before income tax	8,263	-	8,263	8,397	-	8,397	8,209	-	8,209
Fixed charges plus preferred stock dividend requirements	<u>86,573</u>	<u>1,599</u>	<u>88,172</u>	<u>93,451</u>	<u>2,509</u>	<u>95,960</u>	<u>100,722</u>	<u>2,931</u>	<u>103,653</u>
Ratio of earnings to fixed charges plus preferred stock dividend requirements (pre-income tax basis)	<u>4.09</u>	<u>-</u>	<u>4.04</u>	<u>3.22</u>	<u>-</u>	<u>3.16</u>	<u>2.82</u>	<u>-</u>	<u>2.77</u>

Note: (a) Amounts in the supplemental columns are to reflect MidAmerican Energy's portion of the net interest component of payments to Nebraska Public Power District under a long-term purchase agreement for one-half of the plant capacity from Cooper Nuclear Station.

MIDAMERICAN ENERGY COMPANY
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
AND COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES
PLUS PREFERRED STOCK DIVIDEND REQUIREMENTS
(In Thousands)
(Unaudited)

	Twelve Months Ended December 31, 1997			Twelve Months Ended December 31, 1996			Twelve Months Ended December 31, 1995		
	Supplemental (a)		As Adjusted	Supplemental (a)		As Adjusted	Supplemental (a)		As Adjusted
	Adjustment	As		Adjustment	As		Adjustment	As	
Income from continuing operations	\$ 125,941	\$ -	\$ 125,941	\$ 165,132	\$ -	\$ 165,132	\$ 132,489	\$ -	\$ 132,489
Add (Deduct):									
Total income taxes	76,317	-	76,317	112,927	-	112,927	84,098	-	84,098
Interest on long-term debt	78,120	3,760	81,880	79,434	3,615	83,049	80,133	4,595	84,728
Other interest charges	10,027	-	10,027	10,842	-	10,842	9,396	-	9,396
Preferred stock dividends of subsidiary trust	7,980	-	7,980	288	-	288	-	-	-
Interest on leases	268	-	268	375	-	375	1,088	-	1,088
	<u>172,712</u>	<u>3,760</u>	<u>176,472</u>	<u>203,866</u>	<u>3,615</u>	<u>207,481</u>	<u>174,715</u>	<u>4,595</u>	<u>179,310</u>
Earnings available for fixed charges	<u>298,653</u>	<u>3,760</u>	<u>302,413</u>	<u>368,998</u>	<u>3,615</u>	<u>372,613</u>	<u>307,204</u>	<u>4,595</u>	<u>311,799</u>
Fixed Charges:									
Interest on long-term debt	78,120	3,760	81,880	79,434	3,615	83,049	80,133	4,595	84,728
Other interest charges	10,027	-	10,027	10,842	-	10,842	9,396	-	9,396
Preferred stock dividends of subsidiary trust	7,980	-	7,980	288	-	288	-	-	-
Interest on leases	268	-	268	375	-	375	1,088	-	1,088
Total fixed charges	<u>96,395</u>	<u>3,760</u>	<u>100,155</u>	<u>90,939</u>	<u>3,615</u>	<u>94,554</u>	<u>90,617</u>	<u>4,595</u>	<u>95,212</u>
Ratio of earnings to fixed charges	<u>3.10</u>	<u>-</u>	<u>3.02</u>	<u>4.06</u>	<u>-</u>	<u>3.94</u>	<u>3.39</u>	<u>-</u>	<u>3.27</u>
Preferred stock dividends	\$ 6,488	\$ -	\$ 6,488	\$ 10,401	\$ -	\$ 10,401	\$ 8,059	\$ -	\$ 8,059
Ratio of net income before income taxes to net income	1.6060	-	1.6060	1.6839	-	1.6839	1.6348	-	1.6348
Preferred stock dividend requirements before income tax	10,420	-	10,420	17,514	-	17,514	13,175	-	13,175
Fixed charges plus preferred stock dividend requirements	<u>106,815</u>	<u>3,760</u>	<u>110,575</u>	<u>108,453</u>	<u>3,615</u>	<u>112,068</u>	<u>103,792</u>	<u>4,595</u>	<u>108,387</u>
Ratio of earnings to fixed charges plus preferred stock dividend requirements (pre-income tax basis)	<u>2.80</u>	<u>-</u>	<u>2.73</u>	<u>3.40</u>	<u>-</u>	<u>3.32</u>	<u>2.96</u>	<u>-</u>	<u>2.88</u>

Note: (a) Amounts in the supplemental columns are to reflect MidAmerican Energy's portion of the net interest component of payments to Nebraska Public Power District under a long-term purchase agreement for one-half of the plant capacity from Cooper Nuclear Station.