MidAmerican
ENERGY

1995 ANNUAL REPORT

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Bond Rating Data

	Moody's Investors Service	Standard & Poor's
[illegible]	A2	A+
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Financial Highlights

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MidAmerican Energy Company

is Iowa's largest utility company with assets of $4.5 billion and annual revenues of $1.7 billion. MidAmerican provides electric and natural gas service in a 10,600-square-mile area with a population of 1.7 million. The service area includes much of Iowa and portions of Illinois, Nebraska and South Dakota.

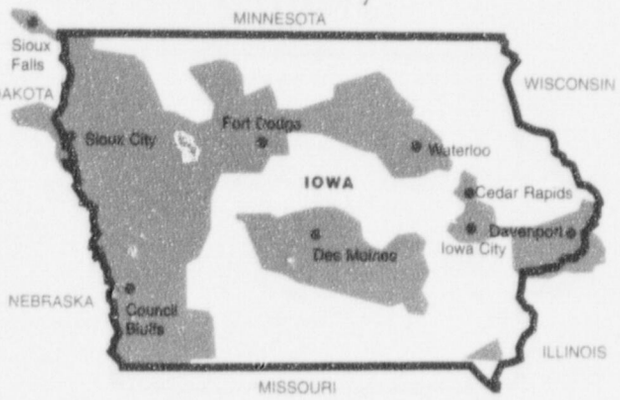
The largest communities served by MidAmerican are Des Moines, Cedar Rapids, Sioux City, Waterloo, Iowa City and Council Bluffs, Iowa, the Quad-Cities area of Iowa and Illinois, and Sioux Falls, South Dakota. MidAmerican provides service to 635,000 electric customers and 600,000 natural gas customers.

MidAmerican has two nonregulated subsidiaries: InterCoast Energy Company and Midwest Capital Group, Inc. InterCoast has assets of $736 million in four business groups: Medallion Production Company, InterCoast Energy Marketing and Services, InterCoast Capital Company, and InterCoast Rail Services and Investments. Midwest Capital Group is a regional business development company with assets of $84 million.

MidAmerican was formed July 1, 1995, by the merger of Midwest Resources Inc. and Iowa-Illinois Gas and Electric Company. MidAmerican has 3,600 full-time employees and 73,000 shareholders living in 50 states and 30 foreign countries. The company's electric business unit is headquartered in Davenport, Iowa, and the gas business unit is based in Sioux City, Iowa. Corporate headquarters are in Des Moines, Iowa.

Contents

Service Territory



To our Shareholders:

1995 was a year of great accomplishment. We formed MidAmerican Energy Company and began implementation of our strategy to position the Company as an industry leader in the emerging competitive electric and gas energy markets.

We were two companies when the year began, but we had a single focus. Our task was to complete the merger planning to support completion of the merger in the summer of 1995. We wanted to be ready to begin operation as a new company as soon as all merger regulatory approvals were received.

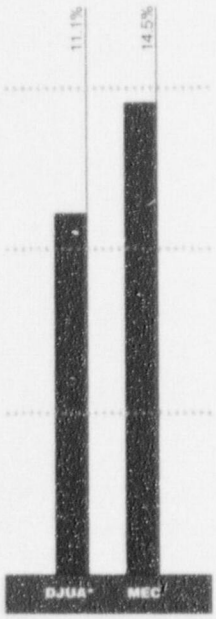
Our short-term goals were:

- *To complete the merger during 1995.*
- *To design an organization that could succeed in a competitive market, and provide all employees with a fair opportunity to be considered for the positions in that organization.*
- *To move quickly and decisively to achieve the cost savings and benefits of the merger.*
- *To begin 1996 with virtually all merger-related changes and costs behind us, and strategies in place to pursue our long-term goals.*

We are pleased to report that these goals were achieved. The impacts - costs to achieve the merger, as well as some early benefits - are reflected in our results for 1995. After giving effect to the costs of completing the merger, which reduced 1995 earnings by 24 cents per share, and write-downs of certain assets of our nonregulated subsidiaries, which reduced earnings by an additional 10 cents per share, earnings per share for the year were $1.22, unchanged from the prior year.

1995 earnings were favorably affected by an unusually hot summer which, created strong demands for air conditioning. In addition to favorably affecting revenue and earnings, these extreme conditions provided a test of the reliability of our energy delivery systems. We are pleased to report that our utility operations met those challenges in an excellent fashion.

The majority of the costs of our merger are employee-related. These costs include early retirement incentives, severance payments and relocation costs. While these costs are substantial, they were anticipated and considered in the overall evaluation of merger benefits. The long-term savings that will be realized by our restructuring are an essential component for creating a cost-effective, competitive market position.



Common Stock Performance
(July 3 through Dec. 29, 1995)
*Dow Jones Utility Average

At year-end we had achieved an overall staffing reduction of more than 700 positions, or 17 percent of the total employment level prior to the merger. The cost reductions achieved as a result of these staffing reductions will be supplemented by savings that will come from nonlabor operating and maintenance cost reductions.

Intensive work continues to realize the potential savings in cost of fuel for generation and purchased gas costs. These savings are of immediate benefit to customers as they flow through the automatic adjustment clauses in our rate schedules.

It is imperative that the Company achieve major changes in anticipation of an acceleration of the structural changes taking place in the utility industry. In recent years, our letters to

Stanley Bright, president, (left) and Russell Christiansen, chairman, share the chief executive responsibilities of MidAmerican Energy Company at corporate headquarters in Des Moines, Iowa, the largest city served by MidAmerican.

shareholders and communications to employees have addressed the impact of the changes on our industry. The regulatory initiatives, which produced a market-driven natural gas industry, eventually led to passage by the United States Congress of major energy legislation in the National Energy Policy Act in 1992. This legislation opened the electric generation business to wholesale competition, and has led to increased interest in retail competition and perhaps an expectation that retail competition will become a market-driven reality.

Our current situation presents great legislative and regulatory uncertainty as to the future prospects of retail competition. At least 30 states have begun to consider or propose the introduction of retail electric competition. While we cannot predict the eventual outcome of the legislative and regulatory process, we believe that it is likely that market forces will prevail, and that there

will be competitive retail markets for segments of the electric and gas energy service businesses.

Our strategies and goals include a strong focus on the need to be competitive and continued emphasis on cost savings. We must also develop opportunities for improving our competitive position through growth. Our growth strategies focus on expanded products and services to our customers, expanded markets through mergers and acquisitions and improved performance by our nonregulated energy businesses.

In recognition of the rapidly changing industry environment and the attendant need for maximum flexibility to respond to competition, in January 1996 the Board of Directors approved management's recommendation that a proposal to form a holding company be submitted to the shareholders for approval at the 1996 Annual Meeting. The new holding company, to be named MidAmerican Energy Holdings Company, will be exempt from the Public Utility Holding Company Act of 1935.

In addition to the shareholders' approval, formation of the new holding company will require approvals from various state and federal regulatory agencies. We believe these necessary approvals will be received during 1996.

In the formation of the holding company, each share of the common stock of MidAmerican Energy Company will be exchanged for one share of the common stock of MidAmerican Energy Holdings. MidAmerican Energy Company and InterCoast Energy Company will become wholly owned subsidiaries of MidAmerican Energy Holdings. Midwest Capital Group will continue to be a wholly owned subsidiary of MidAmerican Energy Company.

Continued improvement in our performance also will require legislative and regulatory changes that are needed to make it possible for MidAmerican to compete on a level playing field with other energy providers. The objectives of these changes are (1) to provide the Company the flexibility to effectively respond to competitive challenges, and (2) to ensure that costs of social programs (such as subsidies for alternative energy producers, costs of energy efficiency programs, disproportionate taxation and costs of unconditional obligations to provide service) imposed on electric and gas energy providers by the public sector are imposed on all of those who wish to compete, not just investor-owned companies such as MidAmerican Energy.

Earnings
($ in millions)

Throughout the process of planning the merger, and in the months since the merger became effective, we have worked to clearly formulate effective strategies to bridge our present business situation to our long-term goals. Our five-year goals are:

- *To achieve a compound total return to shareholders (combining stock price changes and dividend payments) at the top quartile industry level.*
- *To reach an industry leadership position in terms of the competitiveness of the prices for and the quality of our services.*
- *To redefine the markets for our products and services, leading to increased market share and breadth of market services.*
- *To effectively address the information technology issues that will be critical to our ability to take advantage of competitive opportunities.*
- *To substantially complete the process of effectively dealing with the regulatory and legislative issues that must be addressed in a transition to competitive markets.*
- *To implement strategic changes needed to maintain an industry leadership position.*

As we stated at the beginning of this report, 1995 was a year of great accomplishment as we identified and implemented many of the changes that are required to make the Company a strong competitor. The excellent progress reflects outstanding work by the employees of MidAmerican. We very much appreciate the outstanding efforts of our employees and the personal sacrifices they have made in working to form the new Company.

The past year also has been a very demanding period for our Board of Directors. They were asked to deal with many difficult decisions, which were necessary in launching the new Company. Their contributions are greatly appreciated.

We look forward to our first full year of operations and the opportunity to continue building a strong and competitive MidAmerican Energy, which will bring value to you in the years ahead.

Russell E. Christiansen, Chairman

Stanley J. Bright, President

Office of the Chief Executive Officer

February 15, 1996

Electric Business Unit

Creating value in electric service begins at our coal-fired generating stations where production costs are lower than regional and national averages. Large industries, a group of customers expected to take advantage of supply choices resulting from deregulation, also realize value from MidAmerican's competitive industrial prices.

Our electric business unit provided reliable service to a growing customer base in 1995 while also completing the merger-related restructuring and downsizing. MidAmerican added 7,000 electric customers during the year, reflecting modest, but steady growth in the service territory.

The restructuring involved consolidating electric service centers from 41 to 23 locations, reducing personnel, and establishing an electric business headquarters in Davenport, Iowa. By consolidating service centers, MidAmerican expects to better coordinate personnel and equipment in responding to service interruptions and customer needs. First response personnel are located in 56 communities.

Also as part of the new organization, we expanded the types of transactions that customers can complete with MidAmerican by telephone, and consolidated call centers in three locations. With the expanded telephone capabilities, we reduced the number of customer offices from 44 to 13.

The growing use of computers and other automated systems in businesses and homes increases the need for reliable electric service. MidAmerican recorded a 99.99 percent reliability record in 1995. On average, customers experienced only 38 outage minutes.

1995 was the hottest summer in our region in six years. With temperatures hitting 100 degrees, MidAmerican established a new record peak demand of 3,553 megawatts on July 13, a 6.9 percent increase from the combined records of the predecessor companies. During the hot weather, business and residential load management programs reduced demand by 267 megawatts, helping MidAmerican meet customer demand and still maintain the required capacity reserve margin.

Coal supplies at MidAmerican's generating stations improved in 1995, recovering from the reduced levels caused by the 1993 floods, interruptions in rail service and greater demand by utilities for low-sulfur western coal. Burning low-sulfur coal helps MidAmerican meet applicable clean air requirements. New burners to reduce nitrogen oxide emissions were installed at Neal Generating Station Unit 2 in 1995. They will be added to Neal Unit 3 in 1996. With the addition of the burners, both units will comply with clean air requirements through the year 2008.

MidAmerican has majority ownership in four of the five jointly owned, coal-fired generating units in Iowa. They are highly efficient, clean-burning units with production costs well below regional and national averages.

The Quad-Cities Nuclear Station and Cooper Nuclear Station improved their performances in 1995. After extensive evaluations, the Nuclear Regulatory Commission removed both stations from its "adversely trending" list. MidAmerican owns 25 percent of the Quad-Cities Station and purchases 50 percent of the energy generated at Cooper under a long-term contract. Quad-Cities Unit 1 established a Commonwealth Edison record

for boiling-water reactors with 283 days of continuous operations.

As part of the company's restructuring, the electric unit consolidated generation and transmission systems control functions at the Control Center near Des Moines. The Control Center also assumed greater responsibility for local distribution operations throughout MidAmerican's service area.

MidAmerican's new transmission tariffs, which give greater flexibility to wholesale electric customers, became effective July 1, 1995. The tariffs enable wholesale customers to better match utility services with their needs. The tariffs conform to model tariffs proposed by the Federal Energy Regulatory Commission for open-access transmission services comparable to a transmission provider's own use of its transmission system.

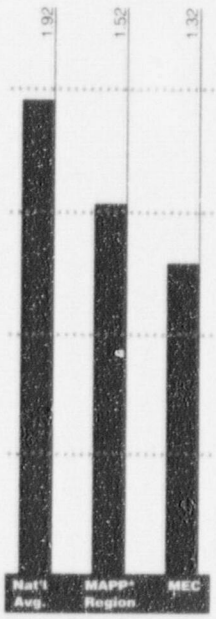
One hundred commercial and industrial customers in Charles City, Iowa, took advantage of a special one-year energy efficiency program in 1995 involving MidAmerican, Charles City and an energy consultant. The purpose of the project is to improve the local business climate by implementing money-saving energy efficiency measures.

Regulators approved two electric price changes in 1995. The Iowa Utilities Board approved a $20.3 million, or 3.4 percent increase, and the South Dakota Public Utilities Commission approved a $344,000, or 8.4 percent increase. The adjustments affected customers formerly served by Midwest Power, one of MidAmerican's predecessor utilities.

Retail electric sales in 1995 totaled 15 billion kilowatt-hours, a 3 percent increase, compared with 1994.

Cost reductions related to the electric business unit's restructuring are reflected in the 1996 capital budget. Spending for construction projects is reduced by 20 percent, compared with capital expenditures in 1995.

Davenport, Iowa, largest of the communities that make up the Quad-Cities area of Iowa and Illinois, is MidAmerican's electric business unit headquarters. Lynn Vorbrich, electric president, views the new Radisson Quad City Plaza Hotel, part of downtown Davenport's revitalization.



1994 Electric Production Costs
(Source: Utility Data Institute, ¢ per kWh)

* MidContinent Area Power Pool

Gas Business Unit

Finding new ways to meet changing customer needs is how we are adding value in our natural gas service. MidAmerican customers continue to pay some of the lowest prices in the country, and for the first time, innovative regulatory policies in Iowa and South Dakota will allow our shareholders to benefit from economical gas purchases.

Innovation and a competitive focus guided the MidAmerican natural gas business unit during 1995. At the same time, we added 8,000 new customers and implemented the new gas unit restructuring and staffing.

The reorganization, associated with the July 1 merger, included establishing a gas business headquarters in Sioux City, Iowa, reducing the workforce and consolidating gas service centers in 16 locations. Gas service personnel are strategically located in another 23 communities. The gas unit organization is designed to improve efficiency, reduce costs and better meet changing customer needs.

Regulators in Iowa and South Dakota approved price adjustments in 1995 that included an innovative gas supply incentive system for MidAmerican. For the first time, shareholders have the opportunity to share in the savings associated with our economical purchases of natural gas. The incentive mechanism – one of the first in the country – measures actual gas costs against a market-based benchmark.

The price adjustments approved by Iowa and South Dakota regulators provide an additional $12.5 million in annual revenues. MidAmerican customers continue to pay some of the lowest gas prices in the country.

Rock Valley, Iowa, is the site of another innovative gas project, launched in 1995. We initiated the experimental program to promote and better understand customer choice. All customers in the community were given the opportunity to select their local natural gas supplier from among four companies, including MidAmerican. During the one-year project that ends in October 1996, MidAmerican continues to transport all natural gas to its Rock Valley customers and earns a profit on transportation of the gas. The project will provide insight into customer reaction to choices in the deregulated natural gas market.

As part of the merger-related reorganization, MidAmerican in 1995 surveyed commercial and industrial customers about their preferences for energy services. In the survey, customers told us they depend on MidAmerican for comprehensive energy advice. Based on the results, MidAmerican now provides a "one-stop" gas and electric shopping approach: a single company representative is assigned to a particular customer to meet the customer's total energy needs.

MidAmerican customers will benefit from a new, company-owned natural gas pipeline being constructed in Eastern Iowa. The Iowa Utilities Board in 1996 authorized the project, a 62-mile, 16-inch pipeline connecting Northern Natural Gas Company's pipeline near Dubuque to MidAmerican's system near Davenport. The pipeline will reduce our gas transportation costs and the gas supply charges to our customers.

One large-volume customer that will be served with the new pipeline is Guardian Industries Corp. The company selected MidAmerican to provide natural gas service to its new $110 million glass manufacturing

Average Residential Natural Gas Rates
(Source: National Association of Regulatory Utility Commissioners, March 1, 1995, ¢ per Therm)

plant in DeWitt, Iowa. In 1996, MidAmerican will gain another large natural gas customer when the $375 million Ipsco Inc. steel mill opens west of Davenport.

In September, MidAmerican continued expansion of its natural gas vehicle (NGV) program by adding a refueling station in Waterloo, Iowa. With the addition of Waterloo, MidAmerican has seven refueling stations that serve 128 company vehicles. The natural gas business unit plans to expand its NGV business into commercial fleets over the next few years.

MidAmerican seeks to ensure the safety and reliability of its natural gas distribution system by regular inspections, maintenance and replacement. In 1995, the company began replacing approximately 300 miles of a certain type of plastic pipe installed in prior years that was not meeting our performance expectations.

Retail natural gas sales in 1995 totaled 98 million MMBtu, a 1 percent increase compared with 1994. During 1995, about 34 percent of the natural gas moved through the company's pipe was owned by customers who directly contracted with other suppliers for interstate transportation of gas.

Our increased role as a transporter, as opposed to merchant supplier, reflects the rapidly changing nature of the natural gas business. As a result of the deregulation of sales and the unbundling of interstate transportation several years ago, the gas market today is more competitive. More marketers are selling and transporting gas in competition with MidAmerican and other gas utilities. These marketers do not provide distribution services. Some large-volume gas customers are purchasing gas from suppliers other than MidAmerican, but they are contracting with MidAmerican to distribute the gas to them and provide other related services.

In 1996, MidAmerican will focus on new energy-related products and services that are designed to meet customer needs. This provides MidAmerican new opportunities for growth beyond the gains that are forecast for the traditional business activities of our core utility businesses.

Sioux City, Iowa, center of the three-state region known as Siouxland, is headquarters for MidAmerican's gas business unit. Beverly Wharton, gas president, is shown at the Siouxland Regional Cancer Center, one of the newest facilities in the downtown area.

InterCoast Energy Company is a nonregulated subsidiary of MidAmerican Energy Company. InterCoast focuses on the acquisition, development, production and marketing of oil and gas, electric power and gas brokering and marketing services and rail services. In 1995, InterCoast contributed 0.6 cents per share to consolidated earnings. This was a 9.6 cents per share reduction from the contribution to earnings in 1994, resulting primarily from merger costs and write-downs of certain assets.

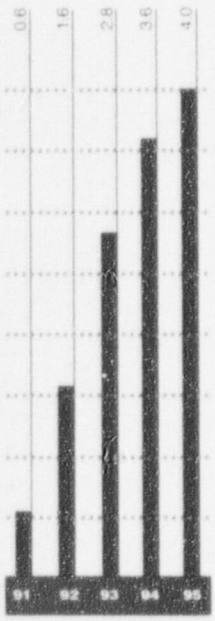
InterCoast has four business groups: Medallion Production Company, InterCoast Energy Marketing and Services, InterCoast Capital Company and InterCoast Rail Services and Investments.

record 4 million Barrels of Oil Equivalent (BOE) during 1995, a 10.5 percent increase over 1994. The company also achieved a significant increase in profitability per unit of production by reducing lease operating expenses and administrative costs by 18 percent, from $4.29 per BOE in 1994 to $3.52 per BOE in 1995. At year-end, Medallion's proved reserve base was 32.1 million BOE, consisting of 133.7 Bcf of natural gas and 9.8 million barrels of oil.

The focus of InterCoast Energy Marketing is to be a national leader in the sale of natural gas, electric power and energy services. The company's energy marketing efforts are segmented by retail and wholesale markets.

InterCoast Energy

By competing in the nation's nonregulated energy markets, InterCoast contributes to MidAmerican Energy's growth. With subsidiaries located throughout the United States, InterCoast is expanding its sales of natural gas, oil and electricity, and adding new energy products, and financial and rail services.



Medallion Production
(millions BOE)

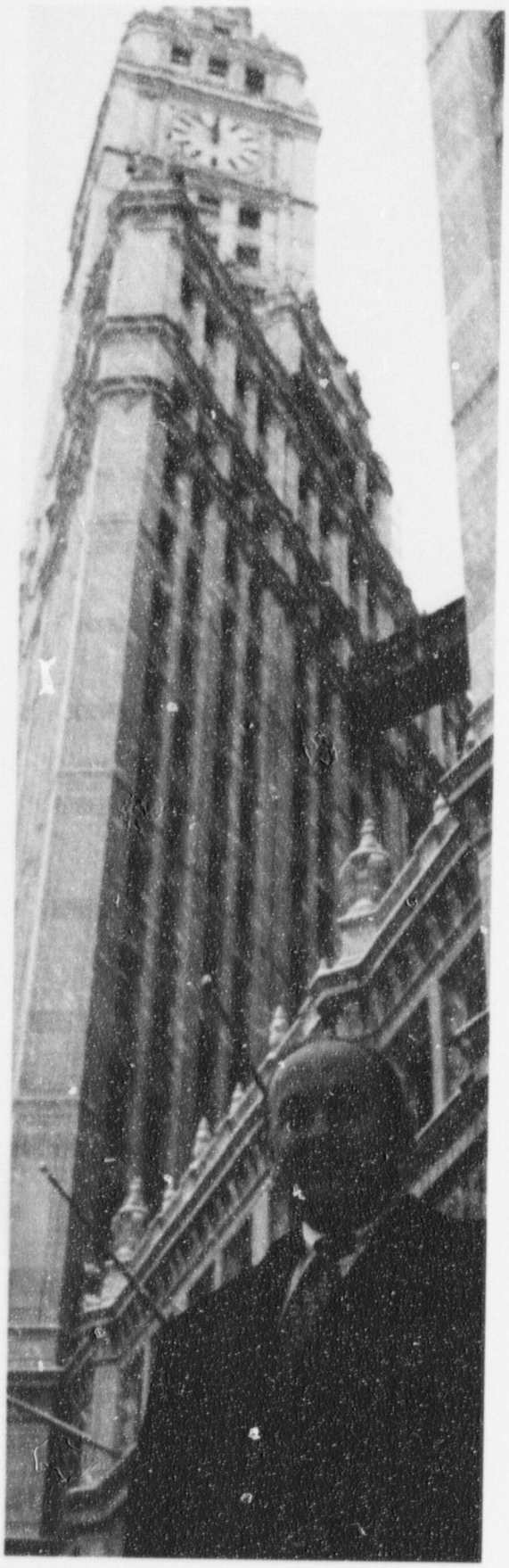
Medallion Production Company, a wholly owned subsidiary of InterCoast, is an independent oil and gas company based in Tulsa, Oklahoma. Medallion focuses on the low-cost accumulation, production and marketing of oil and natural gas reserves. Medallion adds reserves through developmental drilling, producing property acquisitions and exploratory drilling.

Medallion has a long standing record of completing approximately 60 percent of its development wells as producers. During 1995, the company drilled 29 developmental wells and completed 18 as producers.

Despite a decline in natural gas prices during 1995, Medallion's net operating income increased to $11.1 million, a 21 percent increase over the prior year. Medallion produced a

AmGas Inc., a wholly owned nonregulated natural gas company headquartered in Dallas, Texas, is a central component for building the retail energy marketing business. AmGas markets natural gas and energy management services to commercial and industrial clients in the Midwest and areas of the Northeastern United States. In 1995, AmGas formed a strategic marketing alliance that links AmGas' marketing skills with Mobil Natural Gas.

InterCoast Energy Marketing provides wholesale natural gas marketing services through InterCoast Trade & Resources Inc., a recently established natural gas wholesale trading company, and GED Energy Services, Inc., a full-service natural gas marketing firm located in Tulsa, Oklahoma.



InterCoast Power Marketing Company provides wholesale power marketing and brokering services. In July 1995, the company was granted "marketer" status from the Federal Energy Regulatory Commission, enhancing its ability to deal freely with all industry participants.

Continental Power Exchange Inc. provides electronic services to electric energy buyers and sellers nationwide. Headquartered in Atlanta, Georgia, Continental has developed the nation's first electronic energy exchange, CPEX®, which links participants in a real-time network for the efficient purchase and sale of wholesale energy. At year-end, CPEX® had 23 utility participants.

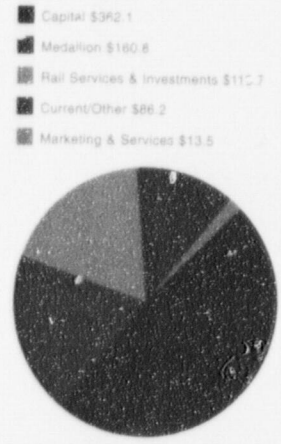
InterCoast Capital Company holds InterCoast Energy's marketable securities portfolio and leveraged leases. The primary purpose of the portfolio is to provide InterCoast with liquidity and credit quality. The marketable securities portfolio totaled $270.2 million as of December 31, 1995, a 35 percent increase over the prior year.

Approximately $163 million of the portfolio is invested in investment-grade utility preferred stocks. In 1995, InterCoast Capital diversified the financial securities portfolio by investing more than $50 million into income producing U.S. and international equities.

InterCoast Rail Services and Investments is made up of two operating companies, UNITRAIN, Inc. and Cornhusker Railcar Services, Inc., and several passive investments. UNITRAIN is an integrated railcar services company that provides management services for more than 2,300 railcars, and owns and leases more than 400 railcars.

Cornhusker, with facilities in Nebraska, provides a wide range of maintenance services including wreck repair, program maintenance and reconditioning of railcars for utilities, railroads and other rail equipment owners.

AmGas Inc., a Dallas, Texas-based subsidiary of InterCoast Energy, is one of the largest natural gas marketers in metropolitan Chicago. Donald Heppermann, president and chief operating officer of InterCoast, surveys the market along Michigan Avenue in downtown Chicago.



Total Assets - $736.3
(in millions)

Midwest Capital Group

Success in economic development requires a long-term commitment, community-based leadership and support from state and local government.

state agencies. In 1995, these efforts contributed to the creation of 3,500 jobs in MidAmerican's service territory.

Midwest Capital's largest investment is Dakota Dunes, the 2,000-acre planned residential and commercial development in southeastern South Dakota. The development's impressive growth continued in 1995 with the addition of apartments, single-family homes and restaurant and hotel facilities. Two companies announced plans to add more than 20,000 square feet in office space in the business park.

After six years of steady growth, more than 280 residential lots have been sold and

Dakota Dunes features an Arnold Palmer-designed golf course and country club in a scenic setting adjacent to the Missouri River in southeastern South Dakota. Ronald Stepien, Midwest Capital president, is shown near the clubhouse.

Midwest Capital Group is the MidAmerican Energy subsidiary that is responsible for service area business development.

As part of the merger-related reorganization in 1995, Midwest Capital assumed the active management of service area investments of both predecessor companies. Midwest Capital has assets of $84 million, and also has a $25 million line of credit with MidAmerican to support economic development projects.

MidAmerican's economic development staff works with Midwest Capital to identify potential economic development projects. These typically involve the combined efforts of individual companies, communities and

190 homes are occupied. Midwest Capital markets Dakota Dunes as a total living experience and economical business location.

Midwest Capital is investigating the potential for the growth of service area related businesses that complement the products and services now provided by MidAmerican. A strong service area presence through the delivery of a range of products and services will enhance the economic development of our service territory.

Midwest Capital also owns the 20-story Hub Tower office building in Des Moines and has an investment in the new Radisson Quad City Plaza Hotel in downtown Davenport.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Corporate Overview

MidAmerican Energy Company (the Company or MidAmerican) was formed on July 1, 1995, as a result of the merger of Iowa-Illinois Gas and Electric Company (Iowa-Illinois), Midwest Resources Inc. (Resources) and its utility subsidiary, Midwest Power Systems Inc. (Midwest). Pursuant to the merger, each outstanding share of preferred and preference stock of the predecessor companies was converted into one share of a similarly designated series of MidAmerican preferred stock, no par value. Each outstanding share of common stock of Resources and Iowa-Illinois was converted into one share and 1.47 shares, respectively, of MidAmerican common stock, no par value.

The Company's utility operations (the Utility) consist of two principal business units: an electric business unit headquartered in Davenport, Iowa, and a natural gas business unit headquartered in Sioux City, Iowa. The Company's corporate headquarters, which includes various staff functions, is in Des Moines, Iowa. InterCoast Energy Company (InterCoast) and Midwest Capital Group, Inc. (Midwest Capital) are the nonregulated subsidiaries of the Company and are headquartered in Des Moines. InterCoast conducts various nonregulated activities of the Company, while Midwest Capital functions as a regional business development company in the utility service territory.

Management anticipates that the merger will permit the Company to derive benefits from more efficient and economic use of the combined facilities and resources of its predecessors. Savings from avoided costs and cost reductions are estimated to total in excess of $500 million over the next 10 years. Although the Company began realizing some benefits of the merger in 1995, additional benefits and savings will be realized in 1996 and future years. As discussed below, the Company has incurred significant costs related to consummation of the merger, business restructuring and work force reduction.

The merger is being accounted for as a pooling-of-interests, and the Consolidated Financial Statements included in this Annual Report are presented as if the merger was consummated as of the beginning of the earliest period presented. Portions of the following discussion provide information related to material changes in the Company's financial condition and results of operations between the periods presented, based on the combined historical information of the predecessor companies. It is not necessarily indicative of what would have occurred had the merger actually been consummated at the beginning of the earliest period.

In January 1996, the Company's Board of Directors approved the formation of a holding company structure. The holding company would have two wholly owned subsidiaries consisting of MidAmerican (utility operations) and InterCoast. Midwest Capital would remain a subsidiary of MidAmerican. The Board of Directors and management believe a holding company structure will provide a more flexible organization better designed to operate in a more competitive environment. Consummation of the holding company structure is subject to approval by holders of a majority of the outstanding shares of the Company's common stock. In addition, certain orders must be received from the Illinois Commerce Commission (ICC), the Iowa Utilities Board (IUB), the Federal Energy Regulatory Commission (FERC), and the Nuclear Regulatory Commission (NRC). Subject to such approvals, each share of MidAmerican common stock will be exchanged for one share of the holding company's common stock. It is management's intent, if possible, to complete the formation of the holding company and share exchange by the end of 1996.

Results of Operations

Earnings

The following tables provide a summary of the earnings contributions of the Company's operations for the past three years:

	1995	1994	1993
Earnings (in millions)			
Utility operations	$124.5	$110.6	$125.5
Nonregulated operations	(2.1)	15.2	13.8
Income (loss) from discontinued operations	0.4	(5.6)	(3.8)
Consolidated earnings	$122.8	$120.2	$135.5

	1995	1994	1993
Earnings Per Common Share:			
Utility operations	$ 1.24	$ 1.12	$ 1.29
Nonregulated operations	(0.02)	0.16	0.14
Income (loss) from discontinued operations	–	(0.06)	(0.04)
Consolidated earnings	$ 1.22	$ 1.22	$ 1.39

Earnings per share for 1995 were unchanged compared to 1994. Increases in the gross margins of utility electric and natural gas operations favorably affected earnings for 1995. Gross margin is the amount of revenues remaining after deducting electric fuel costs or the cost of gas sold, as appropriate. Decreases in nuclear operations and maintenance costs also favorably affected earnings. Merger-related costs and write-downs of certain nonregulated assets had a significant adverse affect on 1995 earnings.

The increases in utility gross margins were due primarily to electric and gas service rate increases filed prior to the merger. Recent rate activity is discussed in greater detail later in this section. A portion of the rate increases relate directly to increases in certain operating expenses. The gross margin for electric operations, net of the increase in directly-related operating expenses, contributed $0.26 per share more to earnings in 1995 than in 1994. In addition to increases in electric rates, increased sales due to hot weather in the third quarter of 1995, though offset somewhat by less extreme temperatures in the heating season, resulted in a 3% increase in electric retail sales for 1995 compared to 1994. The gross margin for gas operations, net of the increase in directly-related operating expenses, contributed $0.07 per share more to earnings in 1995 than in 1994. An increase in retail natural gas sales also contributed to the improved gross margin due to colder temperatures in the fourth quarter of 1995 compared to 1994.

As part of the process of merging the operations of MidAmerican's predecessors, the Company developed a restructuring plan which includes employee incentive early retirement, relocation and separation programs. The restructuring plan, which was completed in 1995, resulted in the elimination of over 700 positions. During 1995 the Company recorded $33.4 million of restructuring costs which included the Company's estimate of the remaining amount of such costs to be incurred. These costs are primarily reflected in Other Operating Expenses in the Consolidated Statements of Income.

Electric Retail Sales
(billions of kWh)

In addition, the Company incurred nonrecurring costs to accomplish consummation of the merger. These "transaction costs," which are included in Other Non-Operating Income, in the Consolidated Statements of Income, totalled $4.6 million in 1995 and $4.5 million in 1994.

In total, restructuring and transaction costs reduced 1995 earnings by $0.24 per share, while transaction costs reduced 1994 earnings by $0.05 per share.

Write-downs of certain assets of the Company's nonregulated subsidiaries reduced 1995 earnings by approximately $10.2 million, or $0.10 per share. The pre-tax amount of the write-downs, which is included in Other Non-Operating Income, in the Consolidated Statements of Income, reflects other-than-temporary declines of $18.0 million in the value of those nonregulated investments. The investments are primarily alternative energy projects.

Earnings for 1994 decreased $15.3 million from the 1993 level due primarily to merger transaction costs in 1994 and recognition of an $11.5 million aftertax gain on the exchange of gas service territory in 1993.

Utility Operating Revenues

Electric:

A combination of factors contributed to the $73.0 million increase in electric operating revenues for 1995.

Various increases in retail electric rates contributed to the increase in electric revenues. In October 1994 and January 1995, the Company implemented rate increases for Iowa energy efficiency cost recovery filings which allow a total increase in electric revenues of $31.7 million over a four-year period. In August 1995, the Company began collection of $18.6 million over a four-year prospective period related to another energy efficiency cost recovery filing. In connection with an Iowa electric rate filing, the Company began collecting in January 1995 interim rates representing an increase of $13.6 million in annual electric revenues. A final rate increase in the proceeding, representing an increase of $20.3 million in annual electric revenues, was effective in August 1995. The new rates include a component for the recovery of other postretirement employee benefit (OPEB) costs on an accrual basis instead of the pay-as-you-go basis previously used. Approximately $8 million of the $20.3 million increase in annual revenues relates to additional expensing of OPEB costs. Increases in revenues due to OPEB and energy efficiency costs have an immaterial impact on net income due to corresponding increases in operating expenses.

An 11% increase in retail sales of electricity for the 1995 third quarter compared to the 1994 third quarter was the main cause of the increase in electric retail sales for 1995. The increase in sales was primarily the result of warmer temperatures which, measured in cooling degree days, were 56% warmer in the 1995 third quarter than in the comparable 1994 quarter.

The Company has been allowed current recovery from most of its electric utility customers for fuel and purchased power costs through energy adjustment clauses (EACs). As the cost of energy to serve those customers fluctuates, revenues fluctuate accordingly with no impact on gross margin or net income. In 1995, the average energy cost per unit decreased 4.5%. As a result, 1995 revenues collected through the EACs decreased compared to 1994.

Revenues from sales for resale accounted for $21.2 million of the increase in electric revenues. Sales for resale volumes increased 53% for 1995 compared to 1994. Greater availability of nuclear generating facilities in 1995 increased the amount of energy available for sales for resale. Coal delivery uncertainties also limited the Company's sales for resale activity in 1994. Sales for resale have a lower margin than other sales and, accordingly, increases in related revenues do not increase net income as much as increases in retail revenues.

The Company is a 25% owner in Quad-Cities Nuclear Power Station (Quad-Cities Station), which is jointly owned and operated by Commonwealth Edison. The Company also purchases 50% of the energy of Cooper Nuclear Station (Cooper), which is owned and operated by Nebraska Public Power District (NPPD), through a power purchase agreement which terminates in 2004. NPPD took Cooper out of service on May 25, 1994. Pending satisfaction of the concerns of the NRC, Cooper remained out of service until February 1995 when it returned to service following NRC approval to restart. In May 1995, the Company filed a lawsuit seeking unspecified damages from NPPD related to the 1994-95 Cooper outage. In June 1995, the NRC removed Cooper and the Quad-Cities Station from its list of adversely trending plants.

Total electric operating revenues for 1994 increased $18.7 million compared to 1993. Electric retail revenues increased $38.2 million in 1994 compared to 1993. The increase in retail revenues was partially offset by a decrease of approximately $20 million in sales for resale revenues. As discussed above, outages at Cooper in 1994 and coal delivery uncertainties limited the Company's sales for resale activity. An increase in retail sales, due mostly to increased sales to general service customers, was the primary cause of the increase in retail revenues. An increase in the cost of energy per unit sold also increased revenues through the EACs in 1994. Rate increases also contributed to the increase in electric revenues for 1994 compared to 1993 as discussed below.

In July 1993, the Company implemented electric rates for some of its Iowa customers designed to increase annual electric revenues by $6.8 million. Also in July 1993, an annual electric rate increase in Illinois of $9.6 million became effective.

Gas:

Gas operating revenues for 1995 decreased $32.4 million compared to 1994. A reduction in revenues collected through the purchased gas adjustment clauses (PGAs) was the primary cause of the decrease in revenues. This was due to a significant decrease in the average cost of gas per unit sold. Variations in revenues collected through the PGAs reflecting changes in the cost of gas and volumes sold do not affect gross margin or net income.

An increase in sales and rates offset part of the impact of lower PGA revenues. In January 1995, the Company implemented a gas service rate increase resulting from findings in an Iowa energy efficiency cost recovery filing which allows an increase in gas revenues of $6.7 million over a four-year period. In October 1994, the Company began collecting interim rates for an Iowa gas rate filing representing an increase of $8.2 million in annual gas revenues. A final rate increase of $10.6 million in annual gas revenues was effective in August 1995. Approximately $2.5 million of the $10.6 million increase in annual revenues relates to the recovery of OPEB costs on an accrual basis. Increases in revenues due to OPEB and energy efficiency costs have an immaterial impact on net income due to corresponding increases in operating expenses. Retail sales of natural gas increased slightly due to a 4% increase in residential sales. This was due mostly to colder weather in the fourth quarter of 1995.

Gas operating revenues for 1994 decreased $47.0 million compared to 1993 due to a decrease in retail natural gas sales. Temperatures, measured in heating degree days, decreased considerably in 1994 compared to 1993, resulting in the decrease in retail sales. In addition, an exchange of gas service territories in the third quarter of 1993 resulted in a decrease in natural gas customers. A reduction in revenues collected through the PGAs also contributed to the decrease in retail revenues. The effect of rate increases partially offset the decrease in revenues due to reduced sales volumes and PGA revenues.

Utility Operating Expenses

Changes in the cost of electric fuel, energy and capacity (collectively, Energy Costs) reflect fluctuations in generation levels and mix, fuel cost, and energy and capacity purchases. Energy Costs for 1995 increased 8% compared to 1994 due primarily to a 13% increase in total electric sales. The increase in Energy Costs as a result of greater sales of electricity was partially offset by a 5% decrease in the average Energy Cost per unit. Energy Costs for 1994 decreased 2% compared to 1993 due primarily to the reduction in sales for resale. The decrease due to reduced sales of electricity was partially offset by a 7% increase in the average Energy Cost per unit. Part of the fluctuation in the average Energy Cost per unit was due to changes in the availability of nuclear generation throughout the three-year period.

Cost of gas sold for 1995 decreased compared to 1994 due to a 15% decrease in the average cost of gas per unit sold.

Gas Throughput
(millions of MMBtu)

Cost of gas sold decreased in 1994 compared to 1993 due primarily to a 9% decrease in sales which was due in part to a gas property exchange.

Other operating expenses increased $45.5 million in 1995 compared to 1994 due primarily to costs related to the restructuring plan discussed in the opening section of Results of Operations. Utility operating expenses include $31.9 million of the $33.4 million total restructuring costs. As discussed above, 1995 expenses also include increases from deferred energy efficiency and OPEB costs. The increases for 1995 were partially offset by an $8.6 million reduction in nuclear operations costs. Expenses for 1994 were reduced by $3.0 million due to capitalizing previously expensed energy efficiency costs to comply with the IUB regulation of these costs.

Other operating expenses in 1994 increased $13.5 million compared to 1993. Increased nuclear operations costs related to extended outages at Cooper and Quad-Cities Station during 1994 contributed to the increase. The increase in nuclear costs was partially offset by the adjustment to energy efficiency costs mentioned above.

Maintenance expenses decreased $15.9 million in 1995 compared to 1994. Quad-Cities Station maintenance expenses decreased $5.5 million due in part to the 1994 outage. The timing of power plant maintenance and a reduction in various distribution maintenance accounted for much of the remaining variation between years.

Depreciation expense increased compared to each prior year due primarily to additions to utility plant in service.

Nonregulated Operating Revenues

Revenues for the Company's nonregulated subsidiaries decreased $7.8 million for 1995 compared to 1994. A decrease in real estate revenues and reduced revenues due to the impact of the sale of a telecommunications subsidiary in early 1995 accounted for most of the decrease. Revenues from the Company's oil and gas production subsidiary were basically unchanged with increases in gas production volumes and oil prices offsetting decreases due to lower prices for natural gas. A 16% decrease in sales volumes for a nonregulated retail natural gas marketing subsidiary resulted in a $13.9 million decrease in nonregulated gas revenues for 1995. This decrease was offset by $14.2 million in revenues of a wholesale natural gas marketing firm acquired in December 1995.

Revenues for 1994 increased $36.3 million compared to 1993 due primarily to a $33.4 million increase in revenues from retail sales of natural gas. The increase in retail natural gas sales and revenues for 1994 is attributable primarily to the purchase of the assets of an existing nonregulated natural gas business in January 1994. Higher production volumes reflecting additional acquired reserves and successful drilling results also contributed to the increase in revenues for 1995.

Nonregulated Operating Expenses

Cost of sales includes expenses directly related to sales of oil, natural gas and real estate. The factors discussed above for revenues, including natural gas sales volumes, lower gas prices and reduced real estate sales, also affected the variances in cost of sales for the years 1993 through 1995. Cost of sales for the newly acquired natural gas firm also contributed to the increase in 1995 compared to 1994.

Other nonregulated expenses increased $3.0 million for 1995 compared to 1994. The 1995 amount includes $1.5 million of expenses for the Company's restructuring plan. The $5.7 million increase in 1994 compared to 1993 was due primarily to expenses of the natural gas marketing business acquired in January 1994.

Realized Gains and Losses on Securities, Net

Realized gains and losses on securities decreased $6.9 million for 1995 compared to 1994. The decrease resulted primarily from the sale of a single holding in 1994 which generated a $5.9 million pre-tax gain. During 1993, InterCoast realized significant gains on some of its investments in marketable securities due to the impact of favorable market conditions.

Non-Operating Income - Other, Net

The adjustments to nonregulated investments discussed at the beginning of Results of Operations were the primary cause of the decrease in Other, Net, for 1995 compared to 1994. In addition, merger transaction costs reduced Other, Net, in 1995 and 1994. A gain on the sale of an investment in a leveraged lease in 1994 also contributed to the comparative decrease for 1995 compared to 1994. Gains totalling $8.5 million on the sales of a partnership interest in a gas marketing organization and a telecommunications subsidiary in 1995 partially offset the decreases. The decrease from 1993 to 1994 is due primarily to an $18.5 million pre-tax gain on the exchange of natural gas service territories in 1993.

Interest Charges

Increased interest on long-term debt in 1995 compared to 1994 was due primarily to the issuance of $60 million of 7.875% Series of mortgage bonds in November 1994. The decrease in interest on long-term debt from 1993 to 1994 reflects refinancing of several series of long-term debt at lower interest rates in 1993.

Discontinued Operations

In 1994, the Company announced its intent to divest its construction subsidiaries and recognized the anticipated loss on disposal. The sale of certain assets of one of the subsidiaries was completed in December 1994, and the sale of the other construction subsidiary was completed in March 1995.

Settlement of a construction receivable in the second quarter of 1995 resulted in $0.4 million of income in 1995.

Preferred Dividends

The decrease in the preferred dividend requirement for 1995 compared to 1994 was due mostly to the redemption of three series of outstanding preferred shares in December 1994.

Liquidity and Capital Resources

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

For 1995, the Company had net cash provided from operating activities of $382 million and net cash used of $320 million and $54 million for investing and financing activities, respectively.

Investing Activities

Utility construction expenditures, including allowance for funds used during construction (AFUDC), Quad-Cities Station nuclear fuel purchases and Cooper capital improvements, were $191 million for 1995. The decrease from the 1994 total of $212 million reflects the Company's efforts to limit construction expenditures.

Forecasted utility construction expenditures for 1996 are $166 million including AFUDC. The 1996 plan includes $35 million for Cooper capital improvements and Quad-Cities Station nuclear fuel purchases and construction expenditures. For the years 1996 through 2000, the Company forecasts $818 million for utility construction expenditures, $154 million of which is for nuclear expenditures. The Company presently expects that all utility construction expenditures for 1996 through 2000 will be met with cash generated from utility operations, net of dividends.

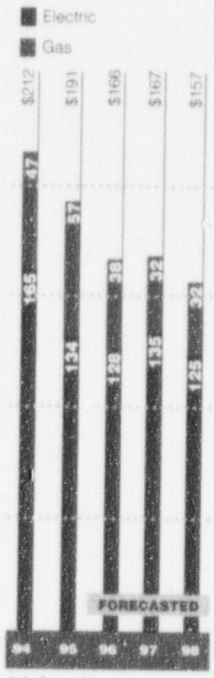
In general, decommissioning of a nuclear facility means to safely remove the facility from service and restore the property to a condition allowing unrestricted use. During 1995, the Utility contributed approximately $9 million to an external trust established for the investment of funds for decommissioning the Quad-Cities Station. Based on information presently available, the Utility expects to contribute $45 million to the trust during the period 1996 through 2000. The funds are invested predominately in investment grade municipal, and U.S. Treasury, bonds. In addition, approximately $9 million of the 1995 payments made under the power purchase contract with NPPD were for decommissioning funding related to Cooper. The Cooper costs are reflected in Other Operating Expenses in the Consolidated Statements of Income. Based on NPPD estimates, the Utility expects to pay approximately $54 million for Cooper decommissioning during the period 1996 through 2000. NPPD invests the funds in instruments similar to those of the Quad-Cities Station trust fund. The Company's obligation for Cooper decommissioning may be affected by the actual plant shutdown date and the status of the power purchase contract at that time. The Company currently recovers Quad-Cities Station decommissioning costs charged to Illinois customers through a rate rider on customer billings. Cooper and Quad-Cities Station decommissioning costs charged to Iowa customers are included in base rates, and increases in those amounts must be sought through the normal ratemaking process. Refer to Note 4(d) of Notes to Consolidated Financial Statements (Notes) for additional details regarding decommissioning.

Capital expenditures of nonregulated subsidiaries were $56 million for 1995. Capital expenditures of nonregulated subsidiaries depend upon the availability of suitable investment opportunities and other factors. For 1996, such expenditures are forecasted to be approximately $85 million, primarily related to InterCoast.

InterCoast invests in a variety of marketable securities which it holds for indefinite periods of time. For 1995, InterCoast had net cash outflows of $67 million from its marketable securities investment activities. In the Consolidated Statements of Cash Flows, the lines Purchase of Securities and Proceeds from Sale of Securities consist primarily of the gross amounts of these activities, including realized gains and losses on investments in marketable securities.

Financing Activities

The Utility currently has authority from the FERC to issue short-term debt in the form of commercial paper and bank notes aggregating $400 million. As of December 31, 1995, the Utility had bank lines of credit of $250 million to provide short-term financing for utility operations. In January 1996, the Utility entered into a $250 million revolving credit facility agreement to replace those lines of credit. The Utility's commercial paper borrowings, which totalled $185 million at December 31, 1995, are currently supported by the revolving credit facility. The Utility also has lines of credit and revolving credit facilities which are dedicated to provide



Utility Construction Expenditures
($ in millions)

liquidity for its obligations under outstanding pollution control revenue bonds that are periodically remarketed.

In January 1995, $12.75 million of floating rate pollution control refunding revenue bonds due 2025 were issued. Proceeds from this financing were used to redeem $12.75 million of collateralized pollution control revenue bonds, 5.8% Series, due 2007.

The Utility has $347 million of long-term debt maturities and sinking fund requirements for 1996 through 2000, $1 million of which matures in 1996.

The Utility is currently considering several long-term financing options for 1996. Proceeds from those issuances would be used to reduce commercial paper outstanding and to refinance higher cost securities.

As of December 31, 1995, the Utility had the capability to issue approximately $1.3 billion of mortgage bonds under the current Midwest indenture. The Utility does not expect to issue additional debt under the Iowa-Illinois indenture, but may if necessary.

During the first six months of 1995, Resources and Iowa-Illinois sold original issue shares of common stock through certain of their employee stock purchase and dividend reinvestment plans. On a MidAmerican share basis, 1,065,240 shares of common stock were issued. The Company has the necessary authority to issue up to 6,000,000 shares of common stock through its Shareholder Options Plan (the Company's dividend reinvestment and stock purchase plan). Since the effective date of the merger, the Company has used open market purchases of its common stock rather than original issue shares to meet share obligations under its Employee Stock Purchase Plan and the Shareholder Options Plan. The Company currently plans to continue using open market purchases to meet share obligations under these plans.

Subsequent to the consummation of the merger, the Utility made a $55 million equity contribution to InterCoast. In addition, nonregulated businesses not related to regional business development were transferred from Midwest Capital to InterCoast. The equity contribution was then used to extinguish Senior Notes and variable interest rate Notes Payable, thus eliminating several financial relationships between the Company's utility and nonregulated operations.

One support agreement remains between the Utility and Midwest Capital related to a performance guarantee by Midwest Capital of a joint venture turnkey engineering, procurement and construction contract for a cogeneration project. The project received preliminary acceptance from the owner in 1995, which pursuant to the construction contract, eliminates the potential for liquidated damages being incurred related to the project. Midwest Capital also has $25 million of long-term debt outstanding at December 31, 1995, that matures in 1996 and is supported by a guarantee from the Utility. In addition, Midwest Capital has a $25 million line of credit with the Utility.

During the third quarter of 1995, InterCoast entered into a $64 million unsecured revolving credit facility agreement which matures in 1998. The facility was used primarily to refinance maturing Senior Notes. InterCoast also has a $110 million unsecured revolving credit facility agreement which matures in 1999. Borrowings under these agreements may be at a fixed rate, floating rate or competitive bid rate basis. All borrowings under these agreements are without recourse to the Utility. At December 31, 1995, InterCoast had $130 million of debt outstanding under these two revolving credit facility agreements.

In addition, InterCoast has entered into two floating rate to fixed interest rate swaps each in the amount of $32 million. The interest rate swaps have fixed rates of 5.97% and 6.00%, respectively, and are for three-year and two-year terms, respectively, with an optional third year on the latter.

InterCoast's aggregate amounts of maturities and sinking fund requirements for long-term debt outstanding at December 31, 1995, are $39 million for 1996 and $287 million for the years 1996 through 2000. Amounts due in 1996 are expected to be refinanced with debt instruments.

On January 24, 1996, the Company's Board of Directors declared a quarterly dividend on common shares of $0.30 per share payable March 1, 1996. The dividend represents an annual rate of $1.20 per share.

Operating Activities

The Utility is subject to regulation by several utility regulatory agencies. The operating environment and the recoverability of costs from utility customers are significantly influenced by the regulation of those agencies. The Company anticipates that changes in the utility industry will create a more competitive environment. Although these anticipated changes may create opportunities, they will also create additional challenges and risks for utilities. The Company is evaluating strategies that will assist it in a more competitive environment.

A possible consequence of competition in the utility industry is the discontinued applicability of Statement of Financial Accounting Standards (SFAS) No. 71. SFAS 71 sets forth accounting principles for all, or a portion, of a company's operations that are regulated and meet certain criteria. For operations that meet the criteria, SFAS 71 allows, among other things, the deferral of costs that would otherwise be expensed when incurred. The Company's electric and gas utility operations are currently subject to the provisions of SFAS 71. Should the utility industry become more competitive

as presently anticipated, the Company will reexamine the applicability of SFAS 71. If a portion of the Company's utility operations no longer meets the criteria of SFAS 71, the Company could be required to eliminate from its balance sheet assets and liabilities related to those operations that resulted from actions of its regulators (i.e., regulatory assets and liabilities). A material adjustment to earnings in the appropriate period could result from the discontinuance of SFAS 71. Refer to Note (1)(c) of Notes for a discussion of regulatory assets.

The Energy Policy Act (EPAct) was enacted in 1992. This law promotes competition in the wholesale electric power market. The FERC has taken action to establish rules and policies in compliance with provisions of the EPAct through a Notice of Proposed Rulemaking issued March 29, 1995. The Company has been active in providing filed, written comments with the FERC in an effort to shape new transmission policies in ways that will best serve the interests of its customers and shareholders. In conjunction with the Merger, the Company submitted an open access transmission tariff in 1994 which was accepted for filing by the FERC in June 1995.

Legislation enacted by the State of Illinois in 1995 allows public utilities to file for regulatory approval of nontraditional rate design. Alternative forms of rate design may include price caps, flexible rate structures and other modifications of the cost-based method currently used to determine rates for electric and gas services. The Company is evaluating its options in light of the new legislation. If appropriate, the Company may file a request in 1996 for alternate rate design in Illinois.

In 1992, the FERC issued Order No. 636, directing a restructuring by interstate pipeline companies for their natural gas sales and transportation services. The unbundling of pipeline services increased the Company's access to supply options and its supply responsibilities. Certain transition costs incurred by interstate natural gas pipelines for their compliance with Order 636 will be paid to the pipeline companies over the next several years. The Company's Consolidated Balance Sheet as of December 31, 1995, includes a $41 million noncurrent liability and regulatory asset recorded for transition costs. The Company may incur other transition costs in conjunction with future purchases of gas, but does not expect these billings to have a material impact on the cost of gas. The Company is currently recovering costs related to Order 636 from its customers.

Electric and gas utilities in Iowa are required to spend approximately 2% and 1.5%, respectively, of their annual Iowa jurisdictional revenues on energy efficiency activities. In October 1994 and in January 1995, the Company began collecting over a four-year prospective period $19.7 million and $18.7 million, respectively, related to prior energy efficiency cost recovery filings. A recent district court ruling was issued which affirmed in all respects the IUB decisions allowing such recovery. In another cost recovery filing, the IUB issued an order approving the collection over a four-year prospective period of $18.6 million. Collection related to this filing began August 8, 1995. As of December 31, 1995, the Company had approximately $68 million of energy efficiency costs deferred on its Consolidated Balance Sheet for which recovery will be sought in future energy efficiency filings.

The United States Environmental Protection Agency (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.

The Company is evaluating 26 properties which were, at one time, sites of gas manufacturing plants in which it may be a potentially responsible party (PRP). The purpose of these evaluations is to determine whether waste materials are present, whether such materials constitute an environmental or health risk, and whether the Company has any responsibility for remedial action. The Company's present estimate of probable remediation costs for these sites is $21 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 for further discussion of the Company's environmental activities related to manufactured gas plant sites and cost recovery.

Although the timing of potential incurred costs and recovery of such cost 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 the Company's financial position or results of operations.

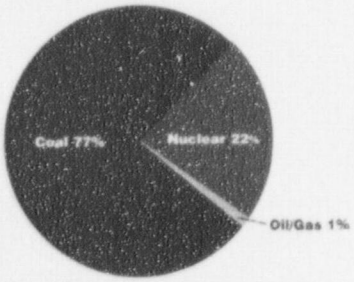
The Clean Air Act Amendments of 1990 (CAA) were signed into law in November 1990. The Company has five jointly owned and five wholly owned coal-fired generating stations, which represent approximately 65% of the Company's electric generating capability.

Two of the Company's coal-fired generating units were subject to the requirements of the CAA beginning in 1995. These units were given a set number of allowances by the EPA. Each

Electric Capability and Peak Demand
(owned capacity plus net purchases, in MW)

allowance permits the units to emit one ton of sulfur dioxide. The Company has completed most of the modifications necessary to one unit to burn low-sulfur coal and to install nitrogen oxides controls and an emissions monitoring system. Under proposed regulations, the second unit will require additional capital expenditures to reduce emissions of nitrogen oxides.

The Company's other coal-fired generating units are not materially affected by the provisions of the CAA. Due to the use of low-sulfur western coal, the Company does not anticipate the need for additional capital expenditures to lower sulfur dioxide emission rates to ensure that allowances allocated by the federal government are not exceeded. While the Company estimates that sufficient emission allowances have been allocated on a system-wide basis for its units to operate at the capacity factors needed to meet system energy requirements, additional purchases of allowances may be necessary to meet desired sales for resale levels. By the year 2000, some Company coal-fired generating units will be required to install controls to reduce emissions of nitrogen oxides. Essentially all utility generating units are subject to CAA provisions which address continuous emission monitoring, permit requirements and fees, and emission of toxic substances. Based on currently proposed CAA regulations, the Company does not anticipate its remaining construction costs for the installation of low nitrogen oxides burner technology and emissions monitoring system upgrades to exceed $16 million.



Generation Mix
(shown as a percent of 1995 net generation)

Accounting Issues

In March 1995, the Financial Accounting Standards Board (FASB) issued SFAS No. 121 regarding accounting for asset impairments. This statement, which will be adopted by the Company in the first quarter of 1996, requires the Company to review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. SFAS 121 also requires rate-regulated companies to recognize an impairment for regulatory assets that are not probable of future recovery. Adoption of SFAS 121 is not expected to have a material impact on the Company's results of operations or financial position at the time of adoption.

The staff of the Securities and Exchange Commission has questioned certain of the current accounting practices of the electric utility industry, including those of the Company, regarding the recognition, measurement and classification of nuclear decommissioning costs in the financial statements. In response to these questions, the FASB has added a project to its agenda to review the accounting for closure and removal costs, including decommissioning of nuclear power plants. If current electric utility industry accounting practices for such decommissioning are changed, the annual provision for decommissioning could increase relative to 1995, and the total estimated cost for decommissioning could be recorded as a liability, with recognition of an increase in the cost of related nuclear power plant. The Company has not determined what impact, if any, it would have on the Company's operation and financial position.

In October 1995, the FASB issued SFAS No. 123 regarding stock-based compensation plans. SFAS 123, which is effective for reporting periods beginning January 1, 1996, allows for alternative methods of adoption. The Company does not expect the accounting provisions or alternative disclosure provisions of SFAS 123 to have a material impact on the Company's results of operations.

Consolidated Statements of Income

	Years Ended December 31		
	1995	1994	1993
	(In thousands, except per share amounts)		
Operating Revenues			
Electric utility	$ 1,094,647	$ 1,021,660	$ 1,002,970
Gas utility	459,588	492,015	538,989
Nonregulated	169,409	177,235	140,976
	1,723,644	1,690,910	1,682,935
Operating Expenses			
Utility:			
Cost of fuel, energy and capacity	230,261	213,987	217,385
Cost of gas sold	279,025	326,782	366,049
Other operating expenses	399,648	354,190	340,720
Maintenance	85,363	101,275	101,601
Depreciation and amortization	158,950	154,229	150,822
Property and other taxes	96,350	94,990	93,238
	1,249,597	1,245,453	1,269,815
Nonregulated:			
Cost of sales	128,685	130,621	96,656
Other	44,230	41,230	35,568
	172,915	171,851	132,224
	1,422,512	1,417,304	1,402,039
Operating Income	301,132	273,606	280,896
Non-Operating Income			
Interest income	4,485	4,334	5,805
Dividend income	16,954	17,087	17,601
Realized gains and losses on securities, net	688	7,635	7,915
Other, net	(10,467)	4,316	20,842
	11,660	33,372	52,163
Interest Charges			
Interest on long-term debt	110,505	105,753	111,065
Other interest expense	9,449	6,446	5,066
Allowance for borrowed funds	(5,552)	(3,955)	(2,186)
	114,402	108,244	113,945
Income From Continuing Operations Before Income Taxes	198,390	198,734	219,114
Income Taxes	67,984	62,349	71,409
Income From Continuing Operations	130,406	136,385	147,705
Income (Loss) From Discontinued Operations	417	(5,645)	(3,854)
Net Income	130,823	130,740	143,851
Preferred Dividends	8,059	10,551	8,367
Earnings on Common Stock	$ 122,764	$ 120,189	$ 135,484
Average Common Shares Outstanding	100,401	98,531	97,762
Earnings Per Common Share			
Continuing operations	$ 1.22	$ 1.28	$ 1.43
Discontinued operations	–	(0.06)	(0.04)
Earnings per average common share	$ 1.22	$ 1.22	$ 1.39

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

	As of December 31	
	1995	1994
	(In thousands)	
Assets		
Utility Plant		
Electric	$ 3,881,699	$ 3,765,004
Gas	695,741	663,792
	4,577,440	4,428,796
Less accumulated depreciation and amortization	2,027,055	1,885,870
	2,550,385	2,542,926
Construction work in progress	104,164	101,252
	2,654,549	2,644,178
Power Purchase Contract	212,148	221,998
Investment in Discontinued Operations	–	15,249
Current Assets		
Cash and cash equivalents	41,216	33,778
Receivables, less reserves of $2,296 and $2,099, respectively	261,105	212,902
Inventories	85,235	92,248
Other	22,252	19,035
	409,808	357,963
Investments	826,496	752,428
Other Assets	420,520	423,958
Total Assets	$ 4,523,521	$ 4,415,774
Capitalization and Liabilities		
Capitalization (see accompanying statement)		
Common shareholders' equity	$ 1,225,715	$ 1,204,112
Preferred shares, not subject to mandatory redemption	89,945	89,955
Preferred shares, subject to mandatory redemption	50,000	50,000
Long-term debt (excluding current portion)	1,403,322	1,398,255
	2,768,982	2,742,322
Current Liabilities		
Notes payable	184,800	124,500
Current portion of long-term debt	65,295	72,872
Current portion of power purchase contract	13,029	12,080
Accounts payable	142,759	110,175
Taxes accrued	81,898	91,653
Interest accrued	30,635	30,659
Other	57,000	54,473
	575,416	496,412
Other Liabilities		
Power purchase contract	112,700	125,729
Deferred income taxes	746,574	725,665
Investment tax credit	95,041	100,871
Other	224,808	224,775
	1,179,123	1,177,040
Total Capitalization and Liabilities	$ 4,523,521	$ 4,415,774

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	1995	1994	1993
	(In thousands)		
Net Cash Flows From Operating Activities			
Net income	$ 130,823	$ 130,740	$ 143,851
Adjustments to reconcile net income to net cash provided:			
Depreciation, depletion and amortization	202,542	198,049	193,199
Net increase in deferred income taxes and investment tax credit, net	10,278	36,926	1,935
Amortization of other assets	20,047	9,731	5,447
Capitalized cost of real estate sold	1,744	3,723	5,737
Loss (income) from discontinued operations	(417)	5,645	3,854
Gain on sale of assets and long-term investments	(1,050)	(6,409)	(25,428)
Other-than-temporary decline in value of investments and other assets	17,971	1,791	2,939
Impact of changes in working capital, net of effects from discontinued operations	(19,075)	(9,270)	20,066
Other	18,809	10,624	(7,746)
Net cash provided	381,672	381,550	343,854
Net Cash Flows From Investing Activities			
Utility construction expenditures	(190,771)	(211,669)	(215,081)
Quad-Cities Nuclear Power Station decommissioning trust fund	(8,636)	(9,044)	(7,918)
Deferred energy efficiency expenditures	(35,841)	(28,221)	(24,104)
Nonregulated capital expenditures	(56,162)	(52,609)	(86,505)
Purchase of securities	(164,521)	(113,757)	(197,490)
Proceeds from sale of securities	94,493	142,307	205,767
Proceeds from sale of assets and other investments	34,263	6,433	55,582
Other investing activities, net	7,060	(7,957)	13,716
Net cash used	(320,115)	(274,517)	(256,033)
Net Cash Flows From Financing Activities			
Dividends paid	(126,892)	(125,065)	(122,410)
Issuance of long-term debt, net of issuance cost	12,750	180,410	796,897
Retirement of long-term debt, including reacquisition cost	(110,351)	(102,472)	(895,900)
Issuance of preferred shares, net of issuance cost	–	–	68,140
Reacquisition of preferred shares, including reacquisition cost	(9)	(20,142)	(32,629)
Increase (decrease) in InterCoast Energy Company unsecured revolving credit facility	95,000	(9,500)	44,500
Issuance of common shares	15,083	27,760	–
Net increase (decrease) in notes payable	60,300	(48,535)	52,791
Net cash used	(54,119)	(97,544)	(88,611)
Net Increase (Decrease) in Cash and Cash Equivalents	7,438	9,489	(790)
Cash and Cash Equivalents at Beginning of Period	33,778	24,289	25,079
Cash and Cash Equivalents at End of Period	$ 41,216	$ 33,778	$ 24,289
Additional Cash Flow Information:			
Interest paid, net of amounts capitalized	$ 116,843	$ 105,004	$ 111,133
Income taxes paid	$ 88,863	$ 38,195	$ 54,346

The accompanying notes are an integral part of these statements.

Consolidated Statements of Capitalization

	As of December 31			
	1995		1994	
	(In thousands, except share amounts)			
Common Shareholders' Equity				
Common shares, no par; 350,000,000 shares authorized; 100,751,713 and 99,686,636 shares outstanding, respectively	$ 801,227		$ 786,420	
Retained earnings	430,589		426,683	
Valuation allowance, net of income taxes	(6,101)		(8,991)	
	1,225,715	44.3%	1,204,112	43.9%
Preferred Shares (100,000,000 shares authorized)				
Cumulative preferred shares outstanding; not subject to mandatory redemption:				
$3.30 Series, 49,523 and 49,622 shares, respectively	4,952		4,962	
$3.75 Series, 38,320 shares	3,832		3,832	
$3.90 Series, 32,630 shares	3,263		3,263	
$4.20 Series, 47,369 shares	4,737		4,737	
$4.35 Series, 49,950 shares	4,995		4,995	
$4.40 Series, 50,000 shares	5,000		5,000	
$4.80 Series, 49,898 shares	4,990		4,990	
$1.7375 Series, 2,400,000 shares	58,176		58,176	
Cumulative preferred 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	
	139,945	5.0%	139,955	5.1%
Long-Term Debt				
Mortgage bonds:				
5.875% Series, due 1997	22,000		22,000	
Adjustable Rate Series, due 1997 (8.8% and 7.6%, respectively)	25,000		25,000	
5.05% Series, due 1998	50,000		50,000	
6.25% Series, due 1998	75,000		75,000	
7.875% Series, due 1999	60,000		60,000	
6% Series, due 2000	35,000		35,000	
6.75% Series, due 2000	75,000		75,000	
8.15% Series, due 2001	40,000		40,000	
7.125% Series, due 2003	100,000		100,000	
7.70% Series, due 2004	60,000		60,000	
7% Series, due 2005	100,000		100,000	
7.375% Series, due 2008	75,000		75,000	
8% Series, due 2022	50,000		50,000	
7.45% Series, due 2023	30,000		30,000	
8.125% Series, due 2023	100,000		100,000	
6.95% Series, due 2025	50,000		50,000	
Pollution control revenue obligations:				
5.15% to 5.75% Series, due periodically through 2003	10,984		11,544	
5.8% Series, due 2017 (secured by first mortgage bonds)	–		12,750	
5.95% Series, due 2023 (secured by general mortgage bonds)	29,030		29,030	
Variable Rate Series-				
Due 2016 and 2017 (5.0% and 5.7%, respectively)	37,600		37,600	
Due 2023 (secured by general mortgage bonds, 5.05% and 5.55%, respectively)	28,295		28,295	
Due 2023 (5.1% and 5.6%, respectively)	6,850		6,850	
Due 2024 (5.25% and 5.1%, respectively)	34,900		34,900	
Due 2025 (5.1%)	12,750		–	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Capitalization

	As of December 31			
	1995		1994	
	(In thousands)			
Long-Term Debt (Continued)				
Notes:				
9% to 15% Series, due annually through 1996	$ –		$ 22	
8.75% Series, due 2002	240		240	
6.4% Series, due 2003 through 2007	2,000		2,000	
Obligation under capital lease	2,218		2,356	
Unamortized debt premium and discount, net	(4,126)		(4,706)	
Total utility	1,107,741		1,107,881	
Subsidiaries:				
Notes –				
9.30% Series, due 1995 and 1996	–		9,000	
8.7% Series, due annually through 1996	–		25,508	
Adjustable Rate Series, due semiannually through 1996	–		13,100	
10.20% Series, due 1996 and 1997	30,000		60,000	
9.87% Series, due annually through 1997	–		11,664	
7.34% Series, due 1998	20,000		20,000	
7.76% Series, due 1999	45,000		45,000	
8.52% Series, due 2000 through 2002	70,000		70,000	
9% Series, due annually through 2000	–		489	
8% Series, due annually through 2004	581		613	
Borrowings under unsecured revolving credit facility (6.3%)	64,000		–	
Borrowings under unsecured revolving credit facility (6.4% and 6.6%, respectively)	66,000		35,000	
Total Subsidiaries	295,581		290,374	
	1,403,322	50.7%	1,398,255	51.0%
Total Capitalization	$ 2,768,982	100.0%	$ 2,742,322	100.0%

Consolidated Statements of Retained Earnings

	Years Ended December 31		
	1995	1994	1993
	(In thousands, except per share amounts)		
Beginning of Year	$ 426,683	$ 421,358	$ 400,621
Net Income	130,823	130,740	143,851
Deduct (Add):			
(Gain) loss on reacquisition of preferred shares	(5)	312	672
Dividends declared on preferred shares	8,064	10,141	8,350
Dividends declared on common shares of $1.18, $1.17 and $1.17 per share, respectively	118,828	114,924	114,060
Other	30	38	32
	126,917	125,415	123,114
End of Year	$ 430,589	$ 426,683	$ 421,358

The accompanying notes are an integral part of these statements.

(1) Summary of Significant Accounting Policies:

(a) Merger:

On July 1, 1995, Iowa-Illinois Gas and Electric Company (Iowa-Illinois), Midwest Resources Inc. (Resources) and Midwest Power Systems Inc. (Midwest) merged to form MidAmerican Energy Company (MidAmerican or Company). The merger was accounted for as a pooling-of-interests and the financial statements included herein are presented as if the companies were merged as of the earliest period shown. MidAmerican is a utility company with two wholly owned nonregulated subsidiaries: InterCoast Energy Company (InterCoast) and Midwest Capital Group, Inc. (Midwest Capital).

Each outstanding share of preferred and preference stock of the predecessor companies was converted into one share of a similarly designated series of MidAmerican preferred stock, no par value. Each outstanding share of common stock of Resources and Iowa-Illinois was converted into one share and 1.47 shares, respectively, of MidAmerican common stock, no par value.

Resources' operating revenues and net income for the six months prior to the merger were $534.2 million and $37.7 million, respectively. Iowa-Illinois' operating revenues, as reclassified to include nonregulated revenues in operating revenues consistent with MidAmerican's presentation, and net income for the six months prior to the merger were $298.9 million and $27.1 million, respectively.

(b) Consolidation Policy and Preparation of Financial Statements:

The accompanying Consolidated Financial Statements include the Company and its wholly owned nonregulated subsidiaries, InterCoast and Midwest Capital. 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.

(c) Regulation:

The Company's utility operations are subject to the regulation of the Iowa Utilities Board (IUB), the Illinois Commerce Commission (ICC), the South Dakota Public Utilities Commission, and the Federal Energy Regulatory Commission (FERC). The Company'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.

The Company's utility operations are subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation. The following regulatory assets, primarily included in Other Assets in the Consolidated Balance Sheets, represent probable future revenue to the Company because these costs are expected to be recovered in charges to utility customers (in thousands):

	1995	1994
Deferred income taxes	$ 144,257	$ 139,577
Energy efficiency costs	101,541	72,694
Debt refinancing costs	44,370	47,879
FERC Order 636 transition costs	40,824	56,608
Retirement benefit costs	15,354	18,287
Environmental costs	23,076	23,535
Unamortized costs of retired plant	11,618	10,824
Enrichment facilities decommissioning	8,970	9,807
Other	7,396	10,479
Total	$ 397,406	$ 389,690

(d) Revenue Recognition:

Revenues are recorded as services are rendered to customers. The Company records unbilled revenues, and related energy costs, representing the estimated amount customers will be billed for services rendered between the meter-reading dates in a particular month and the end of such month. Accrued unbilled revenues are $61.0 million and $65.6 million at December 31, 1995 and 1994, respectively, and are included in Receivables on the Consolidated Balance Sheets.

The majority of the utility's electric and gas sales are subject to adjustment clauses. These clauses allow the utility 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:

The Company'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:

	1995	1994	1993
Electric	3.9%	3.8%	3.8%
Gas	3.7%	3.6%	3.9%

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 is 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 (Quad-Cities) equal to the level of funding is included in depreciation expense. See Note 4(d) for additional information regarding decommissioning costs.

(f) Investments:
Investments, managed primarily through the Company's nonregulated subsidiaries, include the following amounts as of December 31 (in thousands):

	1995	1994
Investments:		
Marketable securities	$ 270,162	$ 199,514
Oil and gas properties	160,831	142,378
Equipment leases	90,729	123,603
Nuclear decommissioning trust fund	64,781	49,432
Energy projects	44,741	51,150
Special-purpose funds	47,046	34,767
Real estate	65,232	72,721
Corporate owned life insurance	22,743	18,832
Non-public preferred stock	14,372	24,451
Coal transportation equipment	10,216	11,616
Communications	16,332	4,793
Other	19,311	19,171
Total	$ 826,496	$ 752,428

Marketable securities generally consist of preferred stocks, common stocks and mutual funds held by InterCoast.

On January 1, 1994, the Company adopted SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Under this statement, investments in marketable securities classified as available-for-sale are reported at fair value with net unrealized gains and losses reported as a net of tax amount in Other Common Shareholders' Equity until realized.

Investments in marketable securities that are classified as held-to-maturity are reported at amortized cost. An other-than-temporary decline in the value of a marketable security is recognized through a write-down of the investment to earnings.

Investments held by the nuclear decommissioning trust fund for the Quad-Cities 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.

(g) Oil and Gas:
The Company uses the full cost method of accounting for oil and gas activities. Under the full cost method, all acquisition, exploration and development costs are capitalized and amortized over the estimated production from proved oil and gas reserves. Under the full cost method, net capitalized costs may not exceed the present value of proved reserves as determined under rules of the Securities and Exchange Commission.

(h) Consolidated Statements of Cash Flows:
The Company 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, net of effects from discontinued operations and exchange of assets was as follows (in thousands):

	1995	1994	1993
Receivables	$(48,203)	$13,152	$ 149
Inventories	7,013	8,427	(2,067)
Other current assets	(3,217)	5,876	605
Accounts payable	32,584	(19,329)	13,741
Interest accrued	(24)	(362)	(374)
Taxes accrued	(9,755)	(19,270)	9,338
Other current liabilities	2,527	2,236	(1,326)
Total	$ (19,075)	$(9,270)	$20,066

During 1993, the Company exchanged its Minnesota gas properties, with a book value of $52 million, for gas distribution properties in South Dakota, with an appraised fair value of $32 million, and $38 million cash. A pre-tax gain on the transaction of $18 million was recorded.

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

Capital improvement costs for new property, including carrying costs, are being deferred, amortized and recovered in rates over the term of the NPPD contract. Capital improvement costs for property replacements, including carrying costs, are being deferred, amortized and recovered in rates over a five-year-period.

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 the Company incurs in relation to its long-term power purchase contract with NPPD are included in Other Operating Expenses on the Consolidated Statements of Income.

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

(j) Statement of Financial Accounting Standards No. 121:

In March 1995, the Financial Accounting Standards Board (FASB) issued SFAS No. 121 regarding accounting for asset impairments. This statement, which will be adopted by the Company in the first quarter of 1996, requires the Company to review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 121 also requires rate-regulated companies to recognize an impairment for regulatory assets for which future recovery is not probable. Adoption of SFAS No. 121 is not expected to have a material impact on the Company's results of operations or financial position at the time of adoption.

(k) Statement of Financial Accounting Standards No. 123:

In October 1995, the FASB issued SFAS No. 123 regarding accounting for stock-based compensation plans. This statement, which is effective for reporting periods begining January 1, 1996, allows for alternative methods of adoption. The Company does not expect the accounting provisions or the alternative disclosure provisions of SFAS No. 123 to have a material impact on the Company's results of operations.

(2) Long-term Debt:

The Company's sinking fund requirements and maturities of long-term debt and preferred stock for 1996 through 2000 are $65 million, $80 million, $209 million, $171 million and $134 million, respectively.

The interest rate on the Company's Adjustable Rate Series Mortgage Bonds is reset every two years at 160 basis points over the average yield to maturity of 10-year Treasury securities. The rate was reset in 1995.

The Company'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. The Company, 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, 1995 and 1994. The Company maintains dedicated revolving credit facility agreements or renewable lines of credit to provide liquidity for holders of these issues.

Substantially all the former Iowa-Illinois utility property and franchises, and substantially all of the former Midwest electric utility property in Iowa, is pledged to secure mortgage bonds.

InterCoast's unsecured Notes are issued in private placement transactions. All Notes are issued without recourse to MidAmerican.

InterCoast has $64 million and $110 million unsecured revolving credit facility agreements, which mature in 1998 and 1999, respectively. Borrowings under these agreements may be on a fixed rate, floating rate or competitive bid rate basis. InterCoast has entered into two floating rate to fixed interest rate swaps, each in the amount of $32 million.The interest rate swaps have fixed rates of 5.97% and 6.00%, respectively, and are for three-year and two-year terms, respectively, with an optional third year on the latter. All InterCoast borrowings are without recourse to MidAmerican.

(3) Jointly Owned Utility Plant:

Under joint plant ownership agreements with other utilities, the Company had undivided interests at December 31, 1995, in jointly owned generating plants as shown in the table below.

The dollar amounts below represent the Company'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 the Company'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	Louisa Unit No. 1
In service date	1972	1975	1978	1979	1981	1983
Utility plant in service	$ 200.4	$ 111.7	$ 286.5	$ 155.8	$ 202.2	$ 526.0
Accumulated depreciation	$ 70.6	$ 64.8	$ 138.8	$ 78.9	$ 89.3	$ 204.3
Unit capacity-MW	1,539	515	675	624	716	700
Percent ownership	25.0%	72.0%	79.1%	40.6%	52.0%	88.0%

(4) Commitments and Contingencies:

(a) Capital Expenditures:
Utility construction expenditures for 1996 are estimated to be $166 million, including $17 million for Quad-Cities nuclear fuel and $9 million for Cooper capital improvements. Capital expenditures for nonregulated subsidiaries depend upon the availability of investment opportunities and other factors. During 1996, such expenditures are estimated to be approximately $85 million.

(b) Environmental Matters:
The United States Environmental Protection Agency (EPA) and the state environmental agencies have determined that contaminated wastes remaining at certain decommissioned manufactured gas plant (MGP) 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.

The Company is evaluating 26 properties which were, at one time, sites of gas manufacturing plants in which it may be a potentially responsible party (PRP). The purpose of these evaluations is to determine whether waste materials are present, whether such materials constitute an environmental or health risk, and whether the Company has any responsibility for remedial action. The Company is currently conducting field investigations at five sites and has completed investigations at three sites. In addition, the Company is currently removing contaminated soil at three sites, and has completed removals at two sites. The Company is continuing to evaluate several sites to determine the future liability, if any, for conducting site investigations or other site activity.

The Company's present estimate of probable remediation costs for the sites discussed above is $21 million. This estimate has been recorded as a liability and a regulatory asset for future recovery. 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 MGP sites. The Company's present rates in Iowa provide for a fixed annual recovery of MGP costs. The Company intends to pursue recovery of the remediation costs from other PRPs and its insurance carriers.

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 the Company 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 are accrued. Once the investigation is completed and if it is determined remedial action is required, the best estimate of remediation costs is accrued. If necessary, the estimate is revised when a consent order is issued.

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. In addition, insurance recoveries for some or all of the costs may be possible, but the liabilities recorded have not been reduced by any estimate of such recoveries.

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 the Company's financial position or results of operations.

(c) Long-Term Power Purchase Contract:
Payments to NPPD cover one-half of the fixed and operating costs of Cooper (excluding depreciation but including debt service) and the Company's share of nuclear fuel cost (including nuclear fuel disposal) based on energy delivered. The debt service portion is approximately $1.5 million per month for 1996 and is not contingent upon the plant being in service. In addition, the Company pays one-half of NPPD's decommissioning funding related to Cooper.

The debt amortization and Department of Energy (DOE) enrichment plant decontamination and decommissioning component of the Company's payments to NPPD were $12.0 million, $10.8 million and $9.9 million and the net interest component was $4.6 million, $5.4 million and $5.7 million each for the years 1995, 1994 and 1993, respectively.

The Company's payments for the debt principal portion of the power purchase contract obligation and the DOE enrichment plant decontamination and decommissioning payments are $13.0 million, $13.6 million, $14.3 million, $15.0 million and $15.8 million for 1996 through 2000, respectively, and $54.0 million for 2001 through 2004.

(d) Decommissioning Costs:
Based on site-specific decommissioning studies that include decontamination, dismantling, site restoration and dry fuel storage cost, the Company's share of expected decommissioning costs for Cooper and Quad-Cities, in 1995 dollars, is $420 million. In Illinois, nuclear decommissioning costs are included in customer billings through a mechanism that permits annual adjustments. Such costs are reflected as base rates in Iowa tariffs.

For purposes of developing a decommissioning funding plan for Cooper, NPPD assumes that decommissioning costs will esca-

late at an annual rate of 4%. Although Cooper's operating license expires in 2014, the funding plan assumes decommissioning will start in 2004, the currently anticipated plant shutdown date.

As of December 31, 1995, the Company's share of funds set aside by NPPD in internal and external accounts for decommissioning was $49.4 million. In addition, the funding plan also assumes various funds and reserves currently held to satisfy NPPD Bond Resolution requirements will be available for plant decommissioning costs after the bonds are retired in early 2004. The funding schedule assumes a long-term return on funds in the trust of 6% 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% annually. NPPD is recognizing decommissioning costs over the expected service life of the plant, and 50% of the costs are included as a component of the Company's power purchased costs. During each of the years 1995, 1994 and 1993, $8.9 million of the Company's power purchased costs were for Cooper decommissioning and are included in Other Operating Expenses in the Consolidated Statements of Income. Earnings from the internal and external trust funds, which are recognized by NPPD as the owner of the plant, are tax exempt and serve to reduce future funding requirements.

The Company has established an external trust for the investment of funds for decommissioning the Quad-Cities units. The total accrued balance as of December 31, 1995, was $64.8 million and is included in Other Liabilities and a like amount is reflected in Investments and represents the value of the assets held in the trust.

The Company's provision for depreciation includes costs for Quad-Cities nuclear decommissioning of $8.6 million, $9.1 million and $7.9 million for 1995, 1994 and 1993, respectively. The provision charged to expense is equal to the funding that is being collected in rates. The decommissioning funding component of the Company's Illinois tariffs assumes that decommissioning costs, related to the Quad-Cities unit, will escalate at an annual rate of 5.3% and the assumed annual return on funds in the trust is 6.5%. The Quad-Cities decommissioning funding component of the Company's Iowa tariffs assumes that decommissioning costs will escalate at an annual rate of 6.3% and the assumed annual return on funds in the trust is 6.5%. Earnings on the assets in the trust fund were $2.5 million, $2.2 million and $2.0 million for 1995, 1994 and 1993.

(e) Nuclear Insurance:

The Company maintains financial protection against catastrophic loss associated with its interest in Quad-Cities and Cooper through a combination of insurance purchased by NPPD (the owner and operator of Cooper) and Commonwealth Edison (the joint owner and operator of Quad-Cities), insurance purchased directly by the Company, and the mandatory industry-wide loss funding mechanism afforded under the Price-Anderson Amendments Act of 1988. The coverage falls into three categories: nuclear liability, property coverage and nuclear worker liability.

NPPD and Commonwealth Edison each purchase nuclear liability insurance 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 owners 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, the Company's maximum potential share of such an assessment is $79.2 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, Commonwealth Edison purchases primary and excess property insurance protection for the combined interest in Quad-Cities totalling $2.1 billion. For Cooper, NPPD purchases primary property insurance in the amount of $500 million. Additionally, commencing December 31, 1995, the Company and NPPD separately purchase coverage for their respective obligation of $1.125 billion each in excess of the $500 million primary layer purchased by NPPD. This structure provides that both the Company and NPPD are covered for their respective 50% obligation in the event of a loss totalling $2.75 billion. The Company also directly purchases extra expense/business interruption coverage to cover the cost of replacement power and/or other continuing costs in the event of a covered accidental outage at Cooper or Quad Cities. The coverages purchased directly by the Company, and the primary and excess property coverages purchased by Commonwealth Edison, 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 the Company for its obligations associated with Cooper and Quad-Cities combined total $19.4 million.

The master nuclear worker liability coverage is an industry-wide policy with an aggregate limit of $200 million for the nuclear industry as a whole, which is in effect to cover tort claims of workers as a result of radiation exposure on or after January 1, 1988. The Company's share, based on its interest in Cooper and Quad-Cities, of a maximum potential share of a retrospective assessment under this program is $3.0 million.

(f) Financial Guarantees:
The Company has letters of credit amounting to $20.4 million and financial guarantees amounting to $11.3 million which are not reflected in the consolidated financial statements. Letters of credit and financial guarantees are conditional commitments issued by, or on behalf of, the Company to secure performance for a third party. The guarantees are primarily issued to support private borrowing arrangements and similar transactions.

Management believes that the likelihood of material cash payments by the Company under these agreements is remote.

(g) Coal and Natural Gas Contract Commitments:
The Company has entered into coal supply and transportation contracts for its fossil-fueled generating stations. The contracts, require minimum payments of $65 million, $45 million, $28 million, $26 million and $16 million for the years 1996 through 2000, respectively, and $28 million for the years thereafter. The Company expects to supplement these coal contracts with spot market purchases to fulfill its future fossil fuel needs.

The Company has entered into various natural gas supply and transportation contracts for its utility operations. The minimum commitments under these contracts are $98 million, $87 million, $49 million, $26 million and $23 million for the years 1996 through 2000, respectively, and $96 million for the years thereafter. During 1993 FERC Order 636 became effective, requiring interstate pipelines to restructure their services. The pipelines will recover the transition costs related to Order 636 from the local distribution companies. The Company has recorded a liability and regulatory asset for the transition costs which are being recovered by the Company through the purchased gas adjustment clause. The unrecovered balance recorded by the Company as of December 31, 1995, was $41 million.

(5) Common Shareholders' Equity:

Common shares outstanding changed during the years ended December 31 as shown in the table below (in thousands):

	1995		1994		1993	
	Amount	Shares	Amount	Shares	Amount	Shares
Balance, beginning of year	$ 786,420	99,687	$ 759,120	97,782	$ 759,610	97,778
Changes due to:						
Issuance of common shares	15,083	1,065	27,760	1,911	–	–
Capital stock expense	(276)	–	(377)	–	(442)	–
Other	–	–	(83)	(6)	(48)	4
Balance, end of year	$ 801,227	100,752	$ 786,420	99,687	$ 759,120	97,782

(6) Retirement Plans:

The Company has noncontributory defined benefit pension plans covering substantially all employees. Benefits 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. The utility has been allowed to recover funding contributions in rates.

Net periodic pension cost includes the following components for the years ended December 31 (in thousands):

	1995	1994	1993
Service cost-benefit earned during the period	$ 9,817	$13,241	$11,140
Interest cost on projected benefit obligation	27,934	26,822	25,431
Decrease in pension costs from actual return on assets	(63,593)	(7,835)	(22,149)
Net amortization and deferral	32,126	(21,030)	(6,075)
One-time charge	15,683	–	–
Regulatory deferral of incurred cost	(10,470)	(2,871)	(2,018)
Net periodic pension cost	$ 11,497	$ 8,327	$ 6,329

During 1995, the Company incurred a one-time charge of $15.7 million related to the early retirement portion of its restructuring plan. Of such cost, $3.0 million was charged to expense and the remaining amount was deferred for future recovery through the regulatory process.

The plan assets are stated at fair market value and are primarily comprised of insurance contracts, United States government debt and corporate equity securities. The following table presents the plans' funding status and amounts recognized in the Company's Consolidated Balance Sheets as of December 31 (dollars in thousands):

	Plans in which:			
	Assets Exceed Accumulated Benefits		Accumulated Benefits Exceed Assets	
	1995	1994	1995	1994
Actuarial present value of benefit obligations:				
Vested benefit obligation	$ (293,985)	$ (224,488)	$ (32,429)	$ (18,915)
Nonvested benefit obligation	(7,516)	(5,881)	(816)	(1,744)
Accumulated benefit obligation	(301,501)	(230,369)	(33,245)	(20,659)
Provision for future pay increases	(94,633)	(66,414)	(5,455)	(2,357)
Projected benefit obligation	(396,134)	(296,783)	(38,700)	(23,016)
Plan assets at fair value	385,598	335,809	–	–
Projected benefit obligation (greater) less than plan assets	(10,536)	39,026	(38,700)	(23,016)
Unrecognized prior service cost	(15,866)	22,520	2,884	6,896
Unrecognized net loss (gain)	29,541	(40,151)	9,431	2,603
Unrecognized net transition asset	(21,521)	(24,112)	–	–
Other	–	–	(6,860)	(7,142)
Pension liability recognized in the Consolidated Balance Sheets	$ (18,382)	$ (2,717)	$ (33,245)	$ (20,659)
Assumptions used were:				
Discount rate			7.0%	8.5%
Rate of increase in compensation levels			5.0%	5.0%
Expected long-term rate of return on assets			8.75-9.0%	8.75-9.0%

The Company currently provides certain health care and life insurance benefits for retired employees. Under the plans, substantially all of the Company's employees may become eligible for these benefits if they reach retirement age while working for the Company. However, the Company retains the right to change these benefits anytime at its discretion.

In January 1993, the Company adopted SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions. The Company began expensing these costs on an accrual basis for its Illinois customers and certain of its Iowa customers in 1993 and including provisions for such costs in rates for these customers. For its remaining Iowa customers, the Company deferred the portion of these costs above the "pay-as-you-go" amount already included in rates until recovery on an accrual basis was established in 1995. The Company is currently amortizing the deferral, expensing the SFAS No. 106 accrual and including provisions for these costs in rates.

Net periodic postretirement benefit cost includes the following components for the year ended December 31 (in thousands):

	1995	1994	1993
Service cost-benefit earned during the period	$ 1,583	$ 2,147	$ 2,252
Interest cost	7,185	7,221	8,644
Increase (decrease) in benefit cost from actual return on assets	(2,090)	894	(468)
Amortization of unrecognized transition obligation	5,291	5,442	5,449
Other	(262)	(1,991)	293
One-time charge for early retirement	4,353	–	–
Regulatory recognition of incurred cost	5,140	(6,218)	(9,126)
Net periodic postretirement benefit cost	$ 21,200	$ 7,495	$ 7,044

During 1995, the Company recorded a one-time expense of $4.4 million related to the early retirement portion of its restructuring plan.

The Company has established external trust funds to meet its expected postretirement benefit obligations. The trust funds are comprised primarily of guaranteed rate investment accounts and money market investment accounts. A reconciliation of the funded status of the plan to the amounts realized as of December 31 is presented below (dollars in thousands):

	1995	1994
Accumulated present value of benefit obligations:		
Retiree benefit obligation	$ (67,488)	$ (55,233)
Active employees fully eligible for benefits	(5,904)	(6,127)
Other active employees	(33,949)	(26,939)
Accumulated benefit obligation	(107,341)	(88,299)
Plan assets at fair value	26,916	18,200
Accumulated benefit obligation greater than plan assets	(80,425)	(70,099)
Unrecognized net gain	(13,880)	(25,894)
Unrecognized transition obligation	89,952	95,993
Postretirement benefit liability recognized in the Consolidated Balance Sheets	$ (4,353)	$ –
Assumptions used were:		
Discount rate	7.0%	8.5%
Expected long-term rate of return on assets (after taxes):		
Midwest Resources union plan	9.0%	9.0%
Midwest Resources salaried plan	4.6%	4.6%
Iowa-Illinois plans	3.0%	3.0%

For purposes of calculating the postretirement benefit obligation, it is assumed that health care costs for covered individuals prior to age 65 will increase by 11% in 1996, and that the rate of increase thereafter will decline by 1% annually to an ultimate rate of 5% by the year 2002. For covered individuals age 65 and older, it is assumed that health care costs will increase by 9% in 1996, and that the rate of increase thereafter will decline by 1% annually to an ultimate rate of 5% by the year 2000.

If the assumed health care trend rates used to measure the expected cost of benefits covered by the plans were increased by 1%, the total service and interest cost would increase by $0.9 million and the accumulated postretirement benefit obligation would increase by $7.6 million.

The Company sponsors defined contribution pension plans (401(k) plans) covering substantially all employees. The Company's contributions to the plans, which are based on the participants level of contribution and cannot exceed four percent of the participants salaries or wages, were $3.7 million, $3.6 million and $3.6 million for 1995, 1994 and 1993, respectively.

(7) 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):

	1995	1994	1993
Balance at year-end	$ 184,800	$ 124,500	$ 173,035
Weighted average interest rate on year-end balance	5.7%	6.1%	3.4%
Average daily amount outstanding during the year	$ 114,036	$ 105,726	$ 117,445
Weighted average interest rate on average daily amount outstanding during the year	6.0%	4.4%	3.3%

At December 31, 1995, the Company had bank lines of credit of $250 million to provide short-term financing for its utility operations. As of December 31, 1995, the Company has regulatory authority to borrow up to $400 million of short-term debt for its utility operations.

In January 1996, the Company entered into a $250 million revolving credit facility agreement to replace the lines of credit. The Company's commercial paper borrowings are currently supported by the revolving credit facility.

(8) Rate Matters:

The table below shows the Company's recent material general rate activities (dollars in thousands):

Filing entity	Midwest	Midwest
State of filing	Iowa	Iowa
Service	Gas	Electric
Interim revenue increase:		
Amount	$ 8,200	$ 15,600
Percent	3.2%	2.7%
Date collection began	Oct. 18, 1994	Jan. 1, 1995
Final revenue increase:		
Amount	$ 10,600	$ 20,300
Percent	4.1%	3.4%
Date collection began	Aug. 1, 1995	Aug. 11, 1995

The table below summarizes the results of the Company's recent material energy efficiency cost recovery filing activities (dollars in thousands):

Filing entity	Midwest	Midwest	Iowa-Illinois
State of filing	Iowa	Iowa	Iowa
Final revenue increase granted*	$ 19,700	$ 18,700	$ 18,600
Deferred charges to be amortized*	$ 14,100	$ 13,400	$ 13,800
Date collection began	Oct. 12, 1994	Jan. 21, 1995	Aug. 3, 1995

* Recovery and amortization over a four-year period

(9) Discontinued Operations:

The Company reflected as discontinued operations at September 30, 1994, all activities of a subsidiary that constructed generating facilities and a subsidiary that constructed electric distribution and transmission systems. Essentially all of the assets of these subsidiaries have been sold.

Midwest Capital, under the terms of certain sale agreements, has indemnified the purchasers of the construction subsidiaries for specified losses or claims relating to construction projects which occurred prior to the date of their sale. In addition, Midwest Capital has guaranteed performance on a joint venture turnkey engineering, procurement and construction contract for a cogeneration project. The Company has provided a support agreement to Midwest Capital related to this project. In October 1995, the project received preliminary acceptance from the owner. Management believes that the likelihood of a material adverse impact to the Company under any indemnity provision of the sale agreements or construction contracts or material cash payments by the Company under the support agreements is remote.

Net assets of the construction subsidiaries are separately presented on the Consolidated Balance Sheets as Investment in Discontinued Operations. Proceeds received from the disposition of the construction investments through December 31, 1995, were $4.1 million. Revenues from discontinued activities, as well as the results of operations and the estimated income (loss) on the disposal of discontinued operations for the years ended December 31 are as follows (in thousands):

	1995	1994	1993
Operating Revenues	$ 7,334	$ 69,958	$94,350
Income (loss) from discontinued operations before income taxes	$ 880	$ (2,788)	$(7,033)
Income tax benefit (expense)	(463)	908	3,179
Total	$ 417	$ (1,880)	$(3,854)
Loss on disposal before income taxes	$ –	$(11,576)	$ –
Income tax benefit	–	7,811	–
Total	$ –	$ (3,765)	$ –

(10) Concentration of Credit Risk:

The Company's electric utility operations serve 549,000 customers in Iowa, 83,000 customers in western Illinois and 3,000 customers in southeastern South Dakota. The Company's gas utility operations serve 471,000 customers in Iowa, 65,000 customers in western Illinois, 60,000 customers in southeastern South Dakota and 4,000 customers in northeastern Nebraska. The largest communities served by the Company 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. The Company's utility operations grant unsecured credit to customers, substantially all of whom are local businesses and residents. As of December 31, 1995, billed receivables from the Company's utility customers totalled $126 million.

The Company has investments in preferred stocks of companies in the utility industry. As of December 31, 1995, the total cost of these investments was $163 million.

InterCoast has entered into leveraged lease agreements with companies in the airline industry. As of December 31, 1995, the receivables under these agreements totalled $38 million.

(11) Preferred Shares:

On December 15, 1994, the Company redeemed all of its outstanding $4.36 Series, $4.22 Series and $7.50 Series preferred shares. The redemption was made at a premium, which resulted in a charge to net income on common shares of $312,000.

The $5.25 Series Preferred Shares, which are not redeemable prior to November 1, 1998 for any purpose, are subject to mandatory redemption on November 1, 2003 at $100 per share. The $7.80 Series Preferred Shares, which are not redeemable prior to May 1, 1996 for any purpose, 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 total outstanding cumulative preferred stock that is not subject to mandatory redemption requirements may be redeemed at the option of the Company at prices which, in the aggregate, total $95.1 million. The aggregate total the holders of all preferred stock outstanding at December 31, 1995, are entitled to upon involuntary bankruptcy is $141.8 million plus accrued dividends. Annual dividend requirements for preferred stock outstanding at December 31, 1995, total $9.1 million.

(12) Segment Information:

Information related to segments of the Company's business is as follows for the years ended December 31 (in thousands):

Utility

	1995	1994	1993
Electric –			
Operating revenues	$1,094,647	$1,021,660	$1,002,970
Cost of fuel, energy and capacity	230,261	213,987	217,385
Depreciation and amortization expense	136,324	132,886	129,814
Other operating expenses	459,344	438,811	424,589
Operating income	$ 268,718	$ 235,976	$231,182
Gas –			
Operating revenues	$ 459,588	$ 492,015	$ 538,989
Cost of gas sold	279,025	326,782	366,049
Depreciation and amortization expense	22,626	21,343	21,008
Other operating expenses	122,017	111,644	110,970
Operating income	$ 35,920	$ 32,246	$ 40,962
Operating income	$ 304,638	$ 268,222	$ 272,144
Other income (expense)	(4,074)	(3,712)	21,185
Interest charges	83,977	76,606	83,524
Income from continuing operations before income taxes	216,587	187,904	209,805
Income taxes	84,098	66,759	75,917
Income from continuing operations	$ 132,489	$ 121,145	$ 133,888
Capital expenditures			
Electric	$ 133,490	$ 164,870	$ 178,903
Gas	$ 57,281	$ 46,799	$ 36,178

Nonregulated

	1995	1994	1993
Revenues	$ 169,409	$ 177,235	$ 140,976
Cost of sales	128,685	130,621	96,656
Depreciation, depletion and amortization	26,573	24,884	18,771
Other operating expenses	17,657	16,346	16,797
Operating income (loss)	(3,506)	5,384	8,752
Other income	15,734	37,084	30,978
Interest charges	30,425	31,638	30,421
Income (loss) from continuing operations before income taxes	(18,197)	10,830	9,309
Income taxes	(16,114)	(4,410)	(4,508)
Income (loss) from continuing operations	$ (2,083)	$ 15,240	$ 13,817
Capital expenditures	$ 56,162	$ 52,609	$ 86,505

Asset information

	1995	1994	1993
Identifiable assets-			
Electric [a]	$2,947,832	$2,915,749	$2,891,487
Gas [a]	709,742	693,203	662,634
Used in overall utility operations	46,644	71,399	67,622
Nonregulated	819,303	735,423	749,518
Total	$4,523,521	$4,415,774	$4,371,261

(a) Utility plant less accumulated provision for depreciation, accounts receivable, accrued unbilled revenues, inventories, deferred gas expense, energy adjustment clause balance, nuclear decommissioning trust fund and regulatory assets.

(13) 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 the Company'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 the Company'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 nuclear decommissioning trust fund – Fair value is based on quoted market prices of the investments held by the fund.

Marketable securities – Fair value is based on quoted market prices.

Debt securities – Fair value is based on the discounted value of the future cash flows expected to be received from such investments.

Equity investments carried at cost – Fair value is based on an estimate of the Company's share of partnership equity, offers from unrelated third parties or the discounted value of the future cash flows expected to be received from such investments.

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 provisions 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 offered to the Company for debt of the same remaining maturities.

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

	1995 Carrying Amount	1995 Fair Value	1994 Carrying Amount	1994 Fair Value
Financial Instruments Owned by the Company:				
Equity investments carried at cost	$ 58,972	$ 61,316	$ 22,352	$ 23,930
Financial Instruments Issued by the Company:				
Preferred shares; subject to mandatory redemption	50,000	52,800	50,000	50,836
Long-term debt, including current portion	1,468,617	1,528,504	1,471,127	1,391,372

The amortized cost, gross unrealized gain and losses and estimated fair value of investments in debt and equity securities at December 31, 1995 and 1994, are summarized as follows (in thousands):

	1995 Amortized Cost	1995 Unrealized Gains	1995 Unrealized Losses	1995 Fair Value
Available-for-sale:				
Equity securities	$ 254,111	$ 7,132	$ (9,278)	$ 251,965
Municipal Bonds	38,098	3,228	(210)	41,116
Cash equivalents	8,092	–	–	8,092
Other debt securities	42,734	355	(6,507)	36,582
	$ 343,035	$ 10,715	$ (15,995)	$ 337,755
Held-to-maturity:				
Equity securities	$ 11,389	$ –	$ (786)	$ 10,603
Debt securities	19,440	31	(921)	18,550
	$ 30,829	$ 31	$ (1,707)	$ 29,153

	1994 Amortized Cost	1994 Unrealized Gains	1994 Unrealized Losses	1994 Fair Value
Available-for-sale				
Equity securities	$ 171,201	$ 2,388	$ (14,703)	$ 158,886
Municipal bonds	43,034	749	(1,773)	42,010
Cash equivalents	5,836	–	–	5,836
Other debt securities	4,102	–	–	4,102
	$ 224,173	$ 3,137	$ (16,476)	$ 210,834
Held-to-maturity				
Equity securities	$ 40,628	$ –	$ (1,374)	$ 39,254
Debt securities	14,804	39	(1,849)	12,994
	$ 55,432	$ 39	$ (3,223)	$ 52,248

At December 31, 1995, the debt securities held by the Company had the following maturities (in thousands):

	Amortized Cost	Fair Value
Within 1 year	$ 2,575	$ 2,454
1 through 5 years	38,345	36,934
5 through 10 years	35,788	32,239
Over 10 years	23,564	24,621

During 1995, the Company re-evaluated the classification of its securities classified as held-to-maturity and available-for-sale. As a result, certain securities, with a total amortized cost of $33.1 million and a market value of $33.8 million, were transferred from securities classified as held-to-maturity to available-for-sale securities.

The proceeds and the gross realized gains and losses on the disposition of investments held by the Company for the years ended December 31, are as follows (in thousands):

	1995	1994
Proceeds from sales	$ 107,692	$ 135,769
Gross realized gains	3,923	10,338
Gross realized losses	(3,158)	5,234

(14) Income Tax Expense:

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

	1995	1994	1993
Income taxes			
Current			
Federal	$ 45,635	$ 20,036	$ 57,179
State	12,071	5,387	12,295
	57,706	25,423	69,474
Deferred			
Federal	15,905	37,316	7,610
State	2,550	6,565	3,996
	18,455	43,881	11,606
Investment tax credit, net	(8,177)	(6,955)	(9,671)
Total income tax expense	$ 67,984	$ 62,349	$ 71,409

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):

	1995	1994
Deferred tax assets		
Related to:		
Investment tax credits	$ 63,374	$ 67,279
Unrealized losses	7,548	4,008
Pensions	17,938	16,834
AMT credit carry forward	18,738	34,555
Nuclear reserves and decommissioning	8,367	8,340
Other	10,679	14,640
Total	$ 126,644	$ 145,656

	1995	1994
Deferred tax liabilities		
Related to:		
Depreciable property	$ 533,750	$ 563,099
Income taxes recoverable through future rates	207,631	206,856
Intangible drilling costs	38,278	17,062
Energy efficiency	28,616	17,635
Reacquired debt	17,595	18,575
FERC Order 636	16,073	17,939
Other	31,275	30,155
Total	$ 873,218	$ 871,321

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

	1995	1994	1993
Effective federal and state income tax rate	34%	31%	33%
Amortization of investment tax credit	4	4	4
Resolution of prior year tax issue	–	2	–
State income tax, net of federal income tax benefit	(5)	(4)	(5)
Dividends received deduction	2	2	2
Other	–	–	1
Statutory federal income tax rate	35%	35%	35%

(15) Inventories:

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

	1995	1994
Materials and supplies, at average cost	$ 27,442	$ 31,688
Coal stocks, at average cost	32,163	26,878
Fuel oil, at average cost	1,523	1,907
Gas in storage, at LIFO cost	21,883	30,347
Other	2,224	1,428
Total	$ 85,235	$ 92,248

At December 31, 1995 prices, the current cost of gas in storage was $31.4 million.

(16) Other Information:

The Company has completed a merger-related restructuring plan during 1995. Other operating expenses in the Consolidated Statements of Income for 1995 includes $33.4 million related to the restructuring plan.

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

	1995	1994	1993
Allowance for equity funds used during construction	$ 481	$ 452	$ –
Gain on sale of assets, net	8,570	4,468	20,164
Income (loss) from equity method investments	(312)	2,712	2,073
Energy efficiency carrying charges	3,092	1,681	1,172
Merger costs	(4,624)	(4,510)	–
Other-than-temporary declines in value of investments and other assets	(17,971)	(1,791)	(2,939)
Other	297	1,304	372
Total	$ (10,467)	$ 4,316	$ 20,842

(17) Holding Company Proposal:

The Company's Board of Directors has approved the formation of a holding company for MidAmerican's organizational structure. The holding company would have two wholly owned subsidiaries consisting of MidAmerican (utility operations) and InterCoast. Consummation of the holding company structure is subject to approval by holders of a majority of the outstanding shares of the Company's common stock. In addition, certain orders must be received from the ICC, IUB, FERC and the Nuclear Regulatory Commission. Subject to such approvals, each share of MidAmerican common stock will be exchanged for one share of the holding company's stock. It is management's intent, if possible, to complete the formation of the holding company and share exchange by the end of 1996.

(18) Unaudited Quarterly Operating Results:

1995	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands, except per share amounts)			
Operating revenues	$ 461,422	$ 371,712	$ 434,623	$ 455,887
Operating income	78,841	56,312	99,887	66,092
Income from continuing operations	37,577	26,674	37,457	28,698
Income (loss) from discontinued operations	–	516	–	(99)
Earnings on common stock	35,296	24,908	35,780	26,780
Earnings per average common share:				
Income from continuing operations	$ 0.35	$ 0.24	$ 0.36	$ 0.27
Income (loss) from discontinued operations	–	0.01	–	–
Earnings per average common share	$ 0.35	$ 0.25	$ 0.36	$ 0.27

1994	1st Quarter	2nd Quarter	3rd Quarter*	4th Quarter
	(In thousands, except per share amounts)			
Operating revenues	$ 529,422	$ 368,126	$ 382,492	$ 410,870
Operating income	86,855	55,949	85,570	45,232
Income from continuing operations	47,468	24,748	42,125	22,044
Loss from discontinued operations	(759)	(603)	(4,236)	(47)
Earnings on common stock	44,136	21,571	35,315	19,167
Earnings per average common share:				
Income from continuing operations	$ 0.46	$ 0.23	$ 0.40	$ 0.19
Loss from discontinued operations	(0.01)	(0.01)	(0.04)	–
Earnings per average common share	$ 0.45	$ 0.22	$ 0.36	$ 0.19

*Includes the estimated loss on the disposal of the construction subsidiaries.
The quarterly data reflect seasonal variations common in the utility industry.

Report of Independent Public Accountants and Report of Management

Report of Independent Public Accountants

To the Shareholders and Board of Directors of MidAmerican Energy Company and Subsidiaries:

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of MidAmerican Energy Company (an Iowa corporation) and subsidiaries, as of December 31, 1995 and 1994, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 1994 and 1993 financial statements of Iowa-Illinois Gas and Electric Company, one of the companies merged in 1995 to form MidAmerican Energy Company in a transaction accounted for as a pooling-of-interests, as discussed in Note (1)(a). Such statements are included in the consolidated financial statements of MidAmerican Energy Company and subsidiaries and reflect total assets constituting 42% in 1994 and total revenues constituting 36% in 1994 and 1993, of the related consolidated totals. These statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for Iowa-Illinois Gas and Electric Company, is based solely upon the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. 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, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of MidAmerican Energy Company and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Chicago, Illinois
January 26, 1996 Arthur Andersen LLP

Report of Management

Management is responsible for the preparation of all information contained in this Annual Report, including the financial statements. The statements and related financial information have been prepared in conformity with generally accepted accounting principles. In the opinion of management, the financial position, results of operation and cash flows of the Company are reflected fairly in the statements. The statements have been audited by the Company's independent public accountants, Arthur Andersen LLP.

The Company maintains a system of internal controls which is designed to provide reasonable assurance, on a cost effective basis, that transactions are executed in accordance with management's authorization, the financial statements are reliable and the Company's assets are properly accounted for and safeguarded. The Company's internal auditors continually evaluate and test the system of internal controls and actions are taken when opportunities for improvement are identified. Management believes that the system of internal controls is effective.

The Audit Committee of the Board of Directors, the members of which are directors who are not employees of the Company, meets regularly with management, the internal auditors and Arthur Andersen LLP to discuss accounting, auditing, internal control and financial reporting matters. The Company's independent public accountants are appointed annually by the Board of Directors on recommendation of the Audit Committee. The internal auditors and Arthur Andersen LLP each have full access to the Audit Committee, without management representatives present.

Stanley J. Bright
President, Office of the Chief Executive Officer

Lance E. Cooper
Group Vice President, Finance and Accounting

Five-Year Financial Statistics

	1995	1994	1993	1992	1991
Earnings per average common share –					
Continuing operations:					
Utility operations	$ 1.24	$ 1.12	$ 1.29	$ 0.82	$ 1.33
Nonregulated activities	(0.02)	0.16	0.14	0.01	(0.01)
Discontinued operations	–	(0.06)	(0.04)	0.01	–
Earnings per average common share	$ 1.22	$ 1.22	$ 1.39	$ 0.84	$ 1.32
Return on average common equity (%)	10.1	10.1	11.6	7.1	11.2
Cash dividends declared per common share	$ 1.18	$ 1.17	$ 1.17	$ 1.28	$ 1.38
Common dividend payout ratio (%)	97	96	84	152	105
Ratio of earnings to fixed charges					
Consolidated	2.8	2.8	2.9	1.9	2.5
Utility only	3.4	3.3	3.4	2.3	2.9
Ratio of earnings to fixed charges and Cooper Nuclear Station debt service					
Consolidated	2.7	2.7	2.8	1.9	2.4
Utility only	3.3	3.2	3.3	2.2	2.8
Capitalization ratios (%) –					
Common shareholders' equity	44.3	43.9	44.0	43.8	42.9
Preferred shares, not subject to mandatory redemption	3.2	3.3	4.1	2.8	2.8
Preferred shares, subject to mandatory redemption	1.8	1.8	1.9	1.8	3.0
Long-term debt	50.7	51.0	50.0	51.6	51.3
Book value per common share at year-end	$ 12.17	$ 12.08	$ 12.07	$ 11.86	$ 12.12
Quarterly earnings per average common share outstanding –					
1st Quarter	$ 0.35	$ 0.45	$ 0.44	$ 0.28	$ 0.36
2nd Quarter	0.25	0.22	0.22	0.13	0.27
3rd Quarter	0.36	0.36	0.52	0.26	0.47
4th Quarter	0.27	0.19	0.20	0.17	0.22
Number of full-time employees –					
Utility	3,331	4,077	4,196	4,305	4,370
Nonregulated	271	274	347	200	140
Utility construction expenditures	$ 190,771	$ 211,669	$215,081	$ 188,344	$177,061
Net cash from utility operations less dividends as a % of construction	134	121	103	71	100

Common Stock Dividends and Prices

	Dividends Declared			Price Range					
				MidAmerican		Iowa-Illinois		Resources	
	MEC	IWG	MWR	High	Low	High	Low	High	Low
1995									
4th Quarter	$ 0.30	$ –	$ –	$ 17 1/8	$ 15	$ –	$ –	$ –	$ –
3rd Quarter	0.30	–	–	15 5/8	13 5/8	–	–	–	–
2nd Quarter	–	0.4325	0.29	–	–	22	19 7/8	15	13 5/8
1st Quarter	–	0.4325	0.29	–	–	22 1/8	19	14 5/8	13 3/8
1994									
4th Quarter	$ –	$ 0.4325	$ 0.29	$ –	$ –	$ 20 5/8	$ 18 7/8	$ 14 1/2	$ 12 7/8
3rd Quarter	–	0.4325	0.29	–	–	22 1/2	19 1/4	15 3/8	13 1/2
2nd Quarter	–	0.4325	0.29	–	–	24 1/2	19 7/8	16 3/4	13 7/8
1st Quarter	–	0.4325	0.29	–	–	24 3/4	22 3/8	18	16

Five-Year Consolidated Statements of Income

	Years Ended December 31				
	1995	1994	1993	1992	1991
	(In thousands, except per share amounts)				
Operating Revenues					
Electric utility	$1,094,647	$ 1,021,660	$ 1,002,970	$ 936,027	$ 968,799
Gas utility	459,588	492,015	538,989	484,687	473,251
Nonregulated	169,409	177,235	140,976	70,344	46,513
	1,723,644	1,690,910	1,682,935	1,491,058	1,488,563
Operating Expenses					
Utility:					
Cost of fuel, energy and capacity	230,261	213,987	217,385	211,924	212,647
Cost of gas sold	279,025	326,782	366,049	326,097	323,113
Other operating expenses (2)	399,648	354,190	340,720	329,911	306,508
Maintenance	85,363	101,275	101,601	93,769	91,548
Depreciation and amortization	158,950	154,229	150,822	144,646	135,062
Property and other taxes	96,350	94,990	93,238	97,479	94,872
	1,249,597	1,245,453	1,269,815	1,203,826	1,163,750
Nonregulated (2)	172,915	171,851	132,224	69,522	46,692
	1,422,512	1,417,304	1,402,039	1,273,348	1,210,442
Operating Income	301,132	273,606	280,896	217,710	278,121
Non-Operating Income (3)	11,660	33,372	52,163	15,656	28,023
Interest Charges					
Interest on long-term debt	110,505	105,753	111,065	114,732	106,538
Other interest expense	9,449	6,446	5,066	5,899	16,380
Allowance for borrowed funds	(5,552)	(3,955)	(2,186)	(2,162)	(4,347)
	114,402	108,244	113,945	118,469	118,571
Income From Continuing Operations Before Income Taxes	198,390	198,734	219,114	114,897	187,573
Income Taxes	67,984	62,349	71,409	26,812	59,604
Income From Continuing Operations	130,406	136,385	147,705	88,085	127,969
Income (Loss) From Discontinued Operations (net of income taxes) (4)	417	(5,645)	(3,854)	794	203
Net Income	130,823	130,740	143,851	88,879	128,172
Preferred Dividends	8,059	10,551	8,367	8,735	9,708
Earnings on Common Stock	$ 122,764	$ 120,189	$ 135,484	$ 80,144	$ 118,464
Average Common Shares Outstanding	100,401	98,531	97,762	95,430	89,844
Earnings Per Common Share	$ 1.22	$ 1.22	$ 1.39	$ 0.84	$ 1.32

(1) The Company was formed on July 1, 1995, through a merger, as discussed in Note (1)(a) of Notes to Consolidated Financial Statements (Notes). All data on this statement reflect the pooled amounts of the predecessor companies. Non-Operating Income includes $4.5 million and $4.6 million of merger-related costs in 1994 and 1995, respectively.

(2) Utility other operating expenses include $31.9 million of costs related to a restructuring and work force reduction plan implemented and completed in 1995. In addition, nonregulated other expenses for 1995 includes $1.5 million of related costs.

(3) During 1995, the Company recorded approximately $18 million of expense for the write-down of certain nonregulated assets. In 1993, the Company recorded an $18.5 million pre-tax gain on the exchange of natural gas service territory. The exchange resulted in a decrease of approximately 33,000 natural gas customers.

(4) In 1994 the Company announced its intent to divest its construction subsidiaries. Refer to Note (9) of Notes.

Five-Year Consolidated Balance Sheets

	As of December 31				
	1995	1994	1993	1992	1991
	(In thousands)				
Assets					
Utility Plant					
Electric	$3,881,699	$ 3,765,004	$ 3,642,415	$ 3,534,703	$ 3,455,061
Gas	695,741	663,792	639,276	628,856	575,113
	4,577,440	4,428,796	4,281,691	4,163,559	4,030,174
Less accumulated depreciation and amortization	2,027,055	1,885,870	1,801,668	1,680,033	1,572,946
	2,550,385	2,542,926	2,480,023	2,483,526	2,457,228
Construction work in progress	104,164	101,252	111,726	67,664	51,176
	2,654,549	2,644,178	2,591,749	2,551,190	2,508,404
Power Purchase Contract	212,148	221,998	248,643	243,146	248,949
Investment in Discontinued Operations	–	15,249	22,206	23,686	23,854
Current Assets					
Cash and cash equivalents	41,216	33,778	24,289	25,079	30,384
Receivables, less reserves	261,105	212,902	226,054	225,566	205,440
Inventories	85,235	92,248	100,675	98,608	91,753
Other	22,252	19,035	24,911	26,182	20,277
	409,808	357,963	375,929	375,435	347,854
Investments	826,496	752,428	760,308	727,929	673,789
Other Assets	420,520	423,958	372,426	192,630	107,819
Total Assets	$4,523,521	$ 4,415,774	$ 4,371,261	$ 4,114,016	$ 3,910,669
Capitalization and Liabilities					
Capitalization					
Common shareholders' equity	$1,225,715	$ 1,204,112	$ 1,180,510	$ 1,159,676	$ 1,128,858
Preferred shares, not subject to mandatory redemption	89,945	89,955	109,871	74,242	74,291
Preferred shares, subject to mandatory redemption	50,000	50,000	50,000	48,625	79,200
Long-term debt	1,403,322	1,398,255	1,341,003	1,368,784	1,351,385
	2,768,982	2,742,322	2,681,384	2,651,327	2,633,734
Current Liabilities					
Notes payable	184,800	124,500	173,035	120,244	67,629
Current portion of long-term debt	65,295	72,872	66,371	32,952	10,991
Current portion of power purchase contract	13,029	12,080	10,830	8,065	8,948
Accounts payable	142,759	110,175	129,504	115,763	117,573
Taxes accrued	81,898	91,653	110,923	101,585	101,879
Interest accrued	30,635	30,659	31,021	31,395	31,678
Other	57,000	54,473	52,237	53,563	39,378
	575,416	496,412	573,921	463,567	378,076
Other Liabilities					
Power purchase contract	112,700	125,729	140,655	138,085	141,890
Deferred income taxes	746,574	725,665	670,288	596,144	525,056
Investment tax credit	95,041	100,871	106,729	113,846	119,989
Other	224,808	224,775	198,284	151,047	111,924
	1,179,123	1,177,040	1,115,956	999,122	898,859
Total Capitalization and Liabilities	$4,523,521	$ 4,415,774	$ 4,371,261	$ 4,114,016	$ 3,910,669

Five-Year Electric Utility Statistics

	For the Years Ended December 31				
	1995	1994	1993	1992	1991
Revenues (In thousands)					
Residential	$ 434,105	$ 400,346	$ 386,047	$ 343,842	$ 379,240
Small general service	252,427	253,703	242,205	236,292	241,277
Large general service	219,075	204,481	193,616	199,256	197,795
Other sales	60,160	57,731	56,198	30,878	31,354
Sales for resale	105,472	84,260	104,461	106,982	98,748
Total from electric sales	1,071,239	1,000,521	982,527	917,250	948,414
Other electric revenue	23,408	21,139	20,443	18,777	20,385
Total	$ 1,094,647	$ 1,021,660	$ 1,002,970	$ 936,027	$ 968,799
KWh Sales (In thousands)					
Residential	4,767,608	4,500,265	4,475,883	4,098,567	4,540,923
Small general service	3,920,792	4,062,993	3,937,360	3,885,898	3,989,071
Large general service	5,351,933	5,091,685	4,851,493	4,993,213	4,895,098
Other	957,463	938,620	930,117	470,444	479,257
Sales for resale	5,509,161	3,605,092	5,566,208	6,386,957	6,163,480
Total	20,506,957	18,198,655	19,761,061	19,835,079	20,067,829
Revenues by Customer Class (% of total)					
Residential	40.5	40.0	39.3	37.5	40.0
Small general service	23.6	25.4	24.7	25.7	25.4
Large general service	20.5	20.4	19.7	21.7	20.9
Other	5.6	5.8	5.7	3.4	3.3
Sales for resale	9.8	8.4	10.6	11.7	10.4
Total	100.0	100.0	100.0	100.0	100.0
Sales as a % of Total					
Residential	23.2	24.7	22.7	20.6	22.6
Small general service	19.1	27.3	19.9	19.6	19.9
Large general service	26.1	28.0	24.5	25.2	24.4
Other	4.7	5.2	4.7	2.4	2.4
Sales for resale	26.9	19.8	28.2	32.2	30.7
Total	100.0	100.0	100.0	100.0	100.0
Retail Electric Sales by Jurisdiction (%)					
Iowa	89.5	88.6	88.7	87.8	87.6
Illinois	9.9	10.9	10.9	11.8	12.1
South Dakota	0.6	0.5	0.4	0.4	0.3
Customers (end of year)					
Residential	551,384	548,106	541,220	536,767	530,869
Small general service	72,616	69,905	68,829	71,843	71,127
Large general service	945	743	744	833	838
Other	9,744	9,518	9,572	5,156	5,044
Sales for resale	55	59	63	61	61
Total	634,744	628,331	620,428	614,660	607,939
Annual Average Per Residential Customer					
Revenue per kWh (cents)	9.11	8.90	8.62	8.39	8.35
KWh sales	8,670	8,265	8,310	7,681	8,598
Cooling Degree Days					
Actual	1,112	912	813	603	1,303
Percent warmer (colder) than normal	14.1	(6.5)	(16.4)	(38.5)	33.0
Electric Peak Demand (net MW)	3,553	3,226	3,284	2,902	3,227
Summer Net Accredited Capability (MW)	4,311	4,145	4,072	4,116	3,996

Five-Year Gas Utility Statistics

	For the Years Ended December 31				
	1995	1994	1993	1992	1991
Revenues (In thousands)					
Residential	$ 279,819	$ 287,171	$ 319,359	$ 282,688	$ 271,312
Small general service	128,501	142,894	150,913	133,384	127,600
Large general service	23,280	36,729	37,761	43,919	47,107
Sales for resale and other	5,303	5,514	10,376	2,648	5,340
Total revenue from gas sales	436,903	472,308	518,409	462,639	451,359
Gas transported	16,677	12,842	13,457	17,473	16,231
Other gas revenues	6,008	6,865	7,123	4,575	5,661
Total	$ 459,588	$ 492,015	$ 538,989	$ 484,687	$ 473,251
Throughput (MMBtu in thousands)					
Sales					
Residential	57,153	54,732	60,612	56,072	57,770
Small general service	32,786	32,677	34,504	31,894	32,464
Large general service	6,222	8,253	9,681	12,357	13,616
Sales for resale and other	3,582	3,231	4,305	837	2,213
Total sales	99,743	98,893	109,102	101,160	106,063
Gas transported	50,695	43,293	39,570	34,686	30,052
Total	150,438	142,186	148,672	135,846	136,115
Revenues by Customer Class (% of total)					
Residential	61.7	59.2	60.0	58.9	58.0
Small general service	28.3	29.4	28.4	27.8	27.3
Large general service	5.1	7.6	7.1	9.1	10.1
Sales for resale and other	1.2	1.1	2.0	0.6	1.1
Gas transported	3.7	2.7	2.5	3.6	3.5
Total	100.0	100.0	100.0	100.0	100.0
Sales as a % of Total (excluding gas transported)					
Residential	57.3	55.3	55.6	55.5	54.5
Small general service	32.9	33.0	31.6	31.5	30.6
Large general service	6.2	8.4	8.9	12.2	12.8
Sales for resale and other	3.6	3.3	3.9	0.8	2.1
Total	100.0	100.0	100.0	100.0	100.0
Retail Gas Sales by Jurisdiction (%)					
Iowa	78.0	76.6	74.5	73.4	74.1
Illinois	10.7	11.9	11.4	11.6	11.8
South Dakota	10.6	10.8	5.4	2.2	2.0
Other	0.7	0.7	8.7	12.8	12.1
Customers (end of year)					
Residential	541,732	535,301	526,863	552,660	542,084
Small general service	57,207	55,855	54,972	54,918	54,189
Large general service	830	876	868	1,020	1,059
Gas transported and other	1,128	171	128	123	98
Total	600,897	592,203	582,831	608,721	597,430
Annual Averages Per Residential Customer					
Revenue per MMBtu	$ 4.90	$ 5.25	$ 5.27	$ 5.04	$ 4.70
MMBtu sales	106	103	111	103	108
Heating Degree Days					
Actual	6,841	6,565	7,097	6,302	6,505
Percent colder (warmer) than normal	0.9	(3.5)	3.2	(8.7)	(7.3)
Cost per MMBtu	$ 2.80	$ 3.30	$ 3.36	$ 3.22	$ 3.05

Directors

John W. Aalfs
Sioux City, Iowa
President, Aalfs Manufacturing, Inc.
(55/7)

Betty T. Asher
Vermillion, South Dakota
President, University of South Dakota
(51/2)

Stanley J. Bright
Des Moines, Iowa
President, Office of the CEO, MidAmerican Energy Company
(55/9)

Robert A. Burnett
Des Moines, Iowa
Retired Chairman, Meredith Corporation
(68/12)

Ross D. Christensen
Waterloo, Iowa
Orthodontist in Private Practice
(55/13)

Russell E. Christiansen
Dakota Dunes, South Dakota
Chairman, Office of the CEO, MidAmerican Energy Company
(60/36)

John W. Colloton
Iowa City, Iowa
Vice President, Statewide Health Services, University of Iowa
(65/3)

Frank S. Cottrell
Moline, Illinois
Vice President, General Counsel and Secretary, Deere & Company
(53/3)

Jack W. Eugster
Minneapolis, Minnesota
Chairman, President and CEO, Musicland Stores Corp.
(50/8)

William C. Fletcher
Cedar Rapids, Iowa
Chairman, Perpetual Midwest Financial, Inc.
(69/18)

Mel Foster, Jr.
Davenport, Iowa
Chairman, Mel Foster Co. Inc.
(68/23)

Nolden Gentry
Des Moines, Iowa
Partner, Law Firm of Brick, Gentry, Bowers, Swartz, Stolze, Schuling & Levis, P.C.
(58/12)

James M. Hoak, Jr.
Dallas, Texas
Chairman, Heritage Media Corporation
(52/12)

Richard L. Lawson
Washington, D.C.
President and CEO, National Mining Association and General USAF (Ret.)
(66/7)

Robert L. Peterson
Dakota City, Nebraska
Chairman, President and CEO, IBP, inc.
(63/5)

Richard A. Schneider
Sheldon, Iowa
President, Security State Bank
(60/13)

Nancy L. Seifert
Cedar Rapids, Iowa
Executive Vice President, James F. Seifert & Sons L.L.C.
(66/10)

W. Scott Tinsman
Davenport, Iowa
Co-founder, Vice President, Twin-State Engineering and Chemical Company
(63/7)

Leonard L. Woodruff
Fort Dodge, Iowa
President, Woodruff Construction Company
(67/23)

(age/years of service)

Officers

Russell E. Christiansen
Chairman, Office of the CEO
(60/36)

Stanley J. Bright
President, Office of the CEO
(55/9)

Lynn K. Vorbrich
President, Electric Division
(57/23)

Beverly A. Wharton
President, Gas Division
(42/19)

Richard C. Engle
Executive Vice President
(61/31)

Lance E. Cooper
Group Vice President-
Finance and Accounting
(52/4)

Philip G. Lindner
Group Vice President-
Corporate Services
(52/7)

John A. Rasmussen, Jr.
Group Vice President and
General Counsel
(50/9)

Ronald W. Stepien
Group Vice President-
Strategic Planning and
Corporate Development
(49/5)

Stephen E. Hollonbeck
Senior Vice President-
Gas Operations
(46/9)

Stephen E. Shelton
Senior Vice President-
Electric Distribution
(48/25)

James R. Bull
Vice President-
Generation and Transmission
(54/20)

Brent E. Gale
Vice President-
Law and Regulatory Affairs
(44/19)

James J. Howard
Vice President-
Gas Administrative Services
(53/31)

Paul J. Leighton
Vice President and
Corporate Secretary
(42/17)

David J. Levy
Vice President-Human
Resources and Information
Technology
(41/19)

J. Sue Rozema
Vice President-
Investor Relations
(43/16)

Keith M. Giger
Treasurer
(37/5)

Larry M. Smith
Controller
(40/10)

InterCoast Energy Company

Donald C. Heppermann
President and Chief
Operating Officer
(53/5)

Norman R. Foreman
President,
InterCoast Energy Marketing
and Services Company
(58/7)

William E. Warnock, Jr.
President,
Medallion Production
Company
(43/3)

Daniel E. Lonergan
Vice President-Finance
(39/11)

Dennis H. Melstad
President,
InterCoast Rail Services
and Investments
(43/19)

Midwest Capital Group

Ronald W. Stepien
President
(49/5)

Alan L. Wells
Vice President-
Finance and Investments
(36/3)

Shareholder Information

1996 Annual Meeting

This year's annual meeting will be April 24, beginning at 10 a.m. at the Des Moines Airport Holiday Inn. Shareholders of record February 26, 1996, will be eligible to vote on matters to be addressed at the annual meeting.

Duplicate Annual Reports

Duplicate mailings of Annual Reports occur when the names on your stock certificates differ, or when other individuals in your home own stock. Duplicate Annual Report mailings are costly, so please notify us in writing about them. List which account numbers should not receive annual report materials. Of course, each account will continue to receive separate dividend checks and proxies as required by the Securities and Exchange Commission.

Form 10-K Reports for MidAmerican Energy Company

The Form 10-K will be available after March 31. To request a copy, please write in care of Shareholder Services.

Common Stock Listing

Common stock of MidAmerican Energy Company is traded on the New York Stock Exchange under the ticker symbol "MEC." Daily newspapers carry quotes on the stock.

Dividend Reinvestment and Stock Purchase

The Company's Shareholder Options Plan provides individuals with a convenient method for purchasing additional shares of common stock by reinvesting their cash dividends, by making optional cash purchases, or both. A prospectus describing the plan may be obtained by contacting Shareholder Services.

Record and Payment Dates

Remaining record dates for 1996, to be set by the board of directors, are expected to be May 8, August 8 and November 8. Corresponding dividend payment dates are expected to be June 1, September 1 and December 1.

Stock Bought or Sold Close to Record Date

Stock is sometimes bought or sold soon before a record date, but the transaction is not transferred by the broker in time for the dividend check to be issued to the new owner. If you are the new owner, your broker will claim the payment from the previous owner for you.

Safekeeping

Safekeeping is a convenient feature of the Shareholder Options Plan designed for shareholders who prefer to have their shares held on account rather than receive a stock certificate. You do not have to reinvest your dividends to take advantage of Safekeeping. When you sign up for Safekeeping, you will receive a Safekeeping receipt in place of your certificate. Contact Shareholder Services for a Safekeeping form and additional information.

Direct Deposit of Dividends

You may elect to have your dividends electronically deposited into your checking or savings account at your bank, savings and loan institution or credit union. Direct Deposit of Dividends is a safe, efficient and reliable means of receiving your dividends. You may obtain an application form by contacting Shareholder Services.

Replacement of Dividend Check

If you do not receive a dividend check, please notify Shareholder Services in writing so that payment on your check can be stopped. When the bank confirms the stop order, a replacement check will be issued.

Transferring Stock

To transfer stock, endorse the certificate or Stock Power Form exactly as the name appears on the face of the certificate. Your signature must be guaranteed with a MEDALLION IMPRINT affixed by a financial institution enrolled in the MEDALLION PROGRAM. Fill in the name, address and social security number of the person to whom the shares are to be transferred. Send the certificate to us, or to our co-transfer agent if you prefer. To do this, we recommend registered mail, which allows you to insure the contents of the package. For registered mail, we suggest a value of 2 percent of the current market price, which is the fee you will be charged by the insurance company to replace certificates if they become lost.

Lost, Destroyed or Stolen Certificate

Please contact Shareholder Services immediately if a certificate becomes lost, stolen or destroyed. A stop transfer will be placed on our records to prevent an unauthorized person from transferring shares. An indemnity bond must be purchased by you to replace stock certificates. The cost of this bond is 2 percent of the current market value. As a security measure, keep certificates in a safe place and do not endorse one until you are ready to transfer it. Once endorsed, the certificates could be improperly transferred if lost or stolen.

Stock Held in Brokerage Accounts ("Street Name")

When you purchase your stock and it is held for you by your broker, it is listed with the Company in the broker's name, or "street name." The Company does not know the identity of individual shareholders who hold their shares in this manner; we simply know that a broker holds a certain number of shares, which may be for any number of customers. Accounts held in street name are not eligible to participate in the Company's Shareholder Options Plan. Also, you receive all dividend payments, annual reports and proxy materials through your broker. Regular quarterly financial reports may be obtained directly from the Company by contacting Shareholder Services.

Address Changes

Please notify us of your former and current addresses. For your protection, we ask that changes be reported to us in writing.

Taxpayer Identification Number

The Internal Revenue Service requires shareholders to furnish a tax identification number to every company in which they own shares. Generally, it is your Social Security number (a W-9 Form is required to change a taxpayer identification number). If the number does not appear on your dividend check stub or reinvestment statement, or if it is incorrect, please contact Shareholder Services.

Shareholder Services by Telephone

The Company maintains a toll-free number for you to call. If you live outside the Des Moines area, the number is 1-800-247-5211. If you live in the Des Moines area, you may call 281-2560.

Financial Contact

J. Sue Rozema
Vice President-Investor Relations
Phone: 515-281-2250

Common Stock Transfer Agents

MidAmerican Energy Company
Shareholder Services
P. O. Box 9244
666 Grand Avenue-28th Floor
Des Moines, IA 50306-9244

Continental Stock Transfer and Trust Co.*
2 Broadway-19th Floor
New York, NY 10004

Preferred Stock Transfer Agent*

MidAmerican Energy Company Shareholder Services
P. O. Box 9244
666 Grand Avenue-28th Floor
Des Moines, IA 50306-9244

Executive Offices

MidAmerican Energy Company
666 Grand Avenue
P. O. Box 657
Des Moines, IA 50303-0657

* Continental Stock Transfer and Trust Company also is co-transfer agent for the $1.7375 Series of Preferred Stock.

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