Nebraska Public Power District
Nebraska's Energy Leader

NLS990078
August 2, 1999

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

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

Gentlemen:

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

The Nebraska Public Power District has renewed a Credit Agreement, which is included as an enclosure, with the American National Bank and Trust Company of Chicago, which indicates that said bank will lend the District funds, not to exceed $5 million as specifically required to pay public liability claims arising from nuclear incidents. This Credit Agreement is valid through July 31, 2000, at which time the District will submit the appropriate documentation to verify the guarantee requirements for the following year.

MidAmerican Energy Company, under the terms of a power purchase contract, has acknowledged its responsibility to assume 50% of the respective premium requirements in an amount not to exceed $5 million in one year. MidAmerican Energy Company has chosen to utilize the type of guarantee defined in 10 CFR 140.21(e). Therefore, as enclosures to this letter, we are submitting the following documents in support of 50% of the required $10 million premium.

- MidAmerican Energy Company, Inc., 1998 Annual Report to the Securities and Exchange Commission - Form 10-K.

- Credit Agreement between the Nebraska Public District and the American National Bank and Trust Company of Chicago.

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Cooper Nuclear Station
P.O. Box 98 / Brownville, NE 68321-0098
Telephone: (402) 825-[illegible] / Fax: (40[illegible]) 825-5211
http://www.nppd.com

CREDIT AGREEMENT

CREDIT AGREEMENT, dated as of August 1, 1999, between NEBRASKA PUBLIC POWER DISTRICT (herein called the "District") and AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO (herein called the "Bank").

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

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

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

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

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

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

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

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

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

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

"Note Resolution" shall mean the resolution of the District entitled "Resolution Authorizing $5,000,000 Bank Credit of 1999," adopted July 8, 1999 authorizing the issuance of the Notes and authorizing the execution and delivery of this Credit Agreement, a true and correct copy of which resolution is annexed hereto as Annex A.

Correspondence No: NLS990078

The following table identifies those actions committed to by the District in this document. Any other actions discussed in the submittal represent intended or planned actions by the District. They are described to the NRC for the NRC's information and are not regulatory commitments. Please notify the Licensing Manager at Cooper Nuclear Station of any questions regarding this document or any associated regulatory commitments.

COMMITMENT	COMMITTED DATE OR OUTAGE
None	

We believe that the enclosed information is sufficient to demonstrate our ability to generate the necessary funds required by the deferred premium; however, should you require additional information, please do not hesitate to contact me.

Sincerely,

J. H. Swailes
Vice President of Nuclear Energy

/nr

Enclosures

cc: Regional Administrator w/enclosures
USNRC - Region IV

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

Senior Resident Inspector w/o enclosures
USNRC

NPG Distribution w/o enclosures

T. L. Bender w/o enclosures

2. Commitment to Lend. The Bank hereby agrees, upon the terms and conditions herein set forth, to make one or more Loans to the District, in accordance with the provisions of this Credit Agreement in an aggregate principal amount up to, but not exceeding $5,000,000, each Loan to be in the principal amount of not less than $250,000. The Bank's commitment to loan shall expire on the earlier of: (i) July, 31, 2000, or (ii) the occurrence of an event of default under any of the Notes.

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

4. The Notes. Each Note shall be designated as "NRC Note, Series 1999," shall be payable to the order of American National Bank and Trust Company of Chicago, shall be dated the date of its delivery, shall be payable one year from its date of issue (subject to optional prepayment as provided in Section 8 hereof), and shall bear interest (payable on the first day of each January, April, July and October) on the unpaid principal amount thereof from its date fluctuating at the rate per annum equal to 87% of the rate of interest announced or published publicly from time to time by the Bank as its base rate or equivalent rate of interest. Such interest rate shall be computed on the basis of a 365/366-day year.

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

5. Commitment Fee. The District shall pay to the Bank as a commitment fee contemporaneously with the execution of this Credit Agreement the sum of $5,000.

6. Tax Indemnification.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. All of the Bank's rights and remedies under this Credit Agreement are cumulative and nonexclusive. The acceptance by the Bank of any partial payment made hereunder after the time when any of District's Loans become due and payable will not establish a

custom, or waive any rights of the Bank to enforce prompt payment thereof. The Bank's failure to require strict performance by the District of any provision of this Credit Agreement shall not waive, affect or diminish any right of the Bank thereafter to demand strict compliance and performance therewith. Any waiver of an event of default hereunder shall not suspend, waive or affect any other event of default hereunder.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NEBRASKA PUBLIC POWER DISTRICT

By Ronald D. Asche
Vice President

AMERICAN NATIONAL BANK AND
TRUST COMPANY OF CHICAGO

By____________________
First Vice President

ANNEX A

Resolution Authorizing $5,000,000 Bank Credit of 1999

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

Section 1. Pursuant to the Public Power and Irrigation District Law, Article 6 of Chapter 70 of the Revised Statutes of Nebraska, as amended and supplemented (herein called the "Act"), Nebraska Public Power District (herein called the "District") shall be authorized to enter into a credit agreement (herein called the "Credit Agreement") for one or more loans in an aggregate principal amount up to, but not exceeding, $5,000,000 from American National Bank and Trust Company of Chicago (herein called the "Bank") in substantially the form submitted at this meeting, to which shall be annexed, as Annex A, a copy of this resolution adopted by the District. Each loan shall be made in the principal amount of not less than $250,000 on any date on or before July 31, 2000; provided that the District shall give the Bank two (2) days prior notice of the date and amount of each borrowing and shall be evidenced by a NRC Note, Series 1999 (herein called a "Note"; all Notes made under the Credit Agreement are herein collectively called the "Notes") of the District in the aggregate principal amount of each loan, which Note shall be issued and delivered by the District to the Bank in the principal amount and on the date of the loan evidenced thereby. Each Note shall be payable to the order of the Bank from the sources set out in Section 10 of the Credit Agreement, shall be dated the date of its delivery, shall be payable one year from its date of issue (subject to optional prepayment as a whole or in part, at any time or from time to time, without penalty or premium, as provided in the Credit Agreement) and shall bear interest (payable on the first day of each January, April, July and October and upon maturity) on the unpaid principal amount thereof from its date fluctuating at the rate per annum equal to 87% of the rate of interest announced or published publicly from time to time by the Bank as its base rate or equivalent rate of interest. Interest is to be computed on the basis of a 365/366-day year. Each Note shall be in substantially the form set forth in Annex B to the Credit Agreement.

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

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

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

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

ANNEX B

(FORM OF NOTE)

NEBRASKA PUBLIC POWER DISTRICT

ELECTRIC SYSTEM NOTE, SERIES NRC OF 1999

No. $

FOR VALUE RECEIVED, the undersigned, NEBRASKA PUBLIC POWER DISTRICT (the "District"), a public corporation and political subdivision organized and existing under and by virtue of the laws of the State of Nebraska, hereby promises to pay to the order of American National Bank and Trust Company of Chicago (the "Bank") on ________________, 19__ upon presentation and surrender of this Note at the principal office of the Bank, the principal sum of ______________________ Dollars ($___________), in lawful money of the United States of America, and to pay interest (payable on ________________, 19__ and quarterly thereafter on the first day of each January, April, July and October and upon maturity) on said principal sum at said office in like money from the date hereof fluctuating at the rate per annum equal to 87% of the rate of interest announced or published publicly from time to time by the Bank as its base rate or equivalent rate of interest. Such interest shall be computed on the basis of a 365/366-day year.

This Note is a special obligation of the District and is one of a duly authorized issue of notes of the District (the "Notes") issued and to be issued under and pursuant to the Public Power and Irrigation District Law of Nebraska, as amended and supplemented (herein called the "Act"), and under and pursuant to a resolution of the District, adopted July 10, 1998, entitled Resolution Authorizing $5,000,000 Bank Credit of 1999 (the "Note Resolution"), and under and pursuant to a Credit Agreement (the "Credit Agreement"), dated as of August 1, 1999 by and between the District and the Bank.

The obligation to pay the principal of and interest on this Note is a special obligation of the District payable solely from such amounts in the Revenue Fund (as defined in the Credit Agreement) as may be available therefor under the General Revenue Bond Resolution adopted by the District on July 8, 1999 (the "General Resolution"); provided, however, that such obligation to pay the principal of and interest on this Note from the Revenue Fund is subject and subordinated in all respects to the pledge of the Pledged Property (as defined in the General Resolution) to the payment of the Bonds (as defined in the General Resolution) pursuant to the General Resolution; and, provided, further, that the obligation to pay the principal of and interest on this Note from the

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

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

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

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

IN WITNESS WHEREOF, Nebraska Public Power District has caused this Note to be signed in its name and on its behalf by its President or Vice President or Treasurer or Assistant Treasurer, as of _______ day of __________________, 19__.

NEBRASKA PUBLIC POWER DISTRICT

By______________________________
Vice President

ANNEX C

____________, 19__

Nebraska Public Power District
Columbus, Nebraska

American National Bank and
Trust Company of Chicago
Chicago, Illinois

Gentlemen:

We have examined the record of proceedings relating to the issuance of the $______________ NRC Note, Series 1999, No. ____________, dated ____________, 19__ (the "Note"), of Nebraska Public Power District (the "District"), a body corporate and politic, constituting a public corporation and political subdivision of the State of Nebraska.

The Note is issued under and pursuant to Chapter 70, Article 6, of the Revised Statutes of the State of Nebraska, as amended (the "Act"), and under and pursuant to a Credit Agreement (the "Credit Agreement"), between the District and American National Bank and Trust Company of Chicago (the "Bank"), dated as of August 1, 1999, authorized by a resolution (the "Note Resolution") of the District adopted on July 8, 1999 and entitled "Resolution Authorizing $5,000,000 Bank Credit of 1999."

The Note is payable to the order of the Bank, matures on ____________, 19__ (subject to prepayment in accordance with the terms of the Credit Agreement), and bears interest (payable on ____________, 19__ and quarterly thereafter on the first day of January, April, July and October and upon maturity) from its date fluctuating at the rate per annum equal to 87% of the rate of interest announced or published publicly from time to time by the Bank as its base rate or equivalent rate of interest. Such interest rate shall be computed on the basis of a 365/366-day year.

The obligation to pay the principal of and interest on the Note is a special obligation of the District payable solely from such amounts in the Revenue Fund created under the General Revenue Bond Resolution adopted by the District on July 8, 1999 (the "General Resolution as may be available therefor; provided, however, that such obligation to pay the principal of and interest on the Note from the Revenue Fund is subject and subordinated in all respects to the pledge of the Pledged Property (as defined in the General Resolution) to the payment of the Bonds (as defined in the General Resolution) pursuant to the General Resolution; and provided, further, that the obligation to pay the principal of and interest on the Note from the Revenue Fund is subject and subordinated to any payments which shall at any time be required to be made from the Revenue Fund pursuant to Section 713 of the Nuclear Facility Resolution(as defined in the Credit Agreement).

We are of the opinion that:

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

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

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

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

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

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

The opinions contained in paragraphs 2 and 3 above are qualified to the extent that the enforceability of the Note Resolution, the Credit Agreement and the Note, respectively, may be limited by any applicable bankruptcy, moratorium or similar laws relating to the enforcement of creditors' rights.

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

Very truly yours,

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended **December 31, 1998**

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

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

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

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

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

Title of each Class

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes_X_ No___

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

The aggregate market value of voting stock held by non-affiliates of MidAmerican Energy Company was zero as of February 26, 1999, when 70,980,203 shares of common stock, without par value, were outstanding.

MIDAMERICAN ENERGY COMPANY

1998 Annual Report on Form 10-K

TABLE OF CONTENTS

DEFINITIONS

The following terms are used in this document with the following meanings:

TERM	MEANING
ANR	ANR Pipeline Company
Btu	British Thermal Unit, the quantity of heat required to raise the temperature of one pound of water one degree Fahrenheit
CAAA	Clean Air Act Amendments of 1990
CalEnergy	CalEnergy Company, Inc. (Refer to discussion of merger in Part I, Item 1, of this Form 10-K)
ComEd	Commonwealth Edison Company
Company	MidAmerican Energy Company
Cooper	Cooper Nuclear Station
DOE	United States Department of Energy
EMFs	Electric and magnetic fields
EAC	Energy Adjustment Clause
EPA	United States Environmental Protection Agency
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Holdings	MidAmerican Energy Holdings Company, the new name of CalEnergy Company, Inc. following its reincorporation in conjunction with the merger of MHC (see below)
ICC	Illinois Commerce Commission
IUB	Iowa Utilities Board
Iowa-Illinois	Iowa-Illinois Gas and Electric Company, a predecessor company
KW	Kilowatt, a thousand watts
KWh	Kilowatt-hour, one thousand watts used for one hour
MAPP	Mid-Continent Area Power Pool
MHC	MHC Inc., an indirect wholly owned subsidiary of Holdings.
Mcf	One thousand cubic feet
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MidAmerican	MidAmerican Energy Company, a wholly owned subsidiary of MHC
MidAmerican Capital	MidAmerican Capital Company, a wholly owned subsidiary of MHC
MidAmerican Realty	MidAmerican Realty Services Company, a 95 percent-owned subsidiary of MHC
Midwest	Midwest Power Systems Inc., a predecessor company
Midwest Capital	Midwest Capital Group, Inc., a wholly owned subsidiary of MHC
MGP	Manufactured gas plant
MW	Megawatts, one million watts
NBPL	Northern Border Pipeline Company
NGPL	Natural Gas Pipeline Company of America
NNG	Northern Natural Gas
NPDES	National Pollutant Discharge Elimination System
NPPD	Nebraska Public Power District
NRC	Nuclear Regulatory Commission
NWPA	Nuclear Waste Policy Act of 1982

OCA	Iowa Office of Consumer Advocate
Order 636 or Orders	FERC Order 636 and related orders
PCBs	Polychlorinated biphenyls
PGA	Purchase gas adjustment clause
PRPs	Potentially responsible parties
SDPUC	South Dakota Public Utilities Commission
SFAS	Statement of Financial Accounting Standards
Quad Cities Station	Quad Cites Nuclear Power Station

PART I

ITEM 1. BUSINESS

(a) General Development of Business

MidAmerican Energy Company (MidAmerican) is a public utility company headquartered in Des Moines, Iowa, and incorporated in the state of Iowa. On March 12, 1999, MidAmerican became a wholly owned subsidiary of MidAmerican Energy Holdings Company (Holdings), the successor by a reincorporation merger dated March 12, 1999, to CalEnergy Company, Inc. (CalEnergy).

MidAmerican was formed on July 1, 1995, as a result of the merger of Iowa-Illinois Gas and Electric Company, Midwest Resources Inc. and Midwest Power Systems Inc. On December 1, 1996, MidAmerican became, through a corporate reorganization involving the exchange of stock, a wholly owned subsidiary of MHC Inc., which, until March 12, 1999, was known as MidAmerican Energy Holdings Company (MHC). Certain subsidiaries of MidAmerican then became subsidiaries of MHC.

MHC is a wholly owned subsidiary of MidAmerican Funding, LLC (MidAmerican Funding), a wholly owned subsidiary of Holdings. Holdings is a global energy company that, in addition to MidAmerican Funding, manages and owns interests in power generation facilities in operation, construction and development worldwide. Through its Northern Electric operations in the United Kingdom (U.K.), Holdings supplies and distributes electricity and gas to approximately 2.0 million customers in the U.K. It also develops and produces energy from diversified fuel sources. Holdings conducts business in the U.S., U.K., Philippines, Indonesia, Poland and Australia.

CALENERGY MERGER

On March 12, 1999, the parties to an Agreement and Plan of Merger dated August 11, 1998 completed a transaction whereby MidAmerican became a wholly owned indirect subsidiary of Holdings. As a part of this transaction, CalEnergy, a Delaware corporation, merged with and into a wholly owned subsidiary which was an Iowa corporation (Reincorporation Sub), thereby effecting a reincorporation (Reincorporation Merger). Immediately following the Reincorporation Merger, a second wholly owned subsidiary of CalEnergy merged with and into MHC (MHC Merger). As a part of the MHC Merger, MHC (formerly MidAmerican Energy Holdings Company) changed its name to MHC Inc. Subsequent to the MHC Merger, Reincorporation Sub changed its name to MidAmerican Energy Holdings Company. As a result of the Reincorporation Merger and the MHC Merger, MidAmerican became an indirect subsidiary of Holdings, all direct and indirect subsidiaries of MHC each became an indirect subsidiary of Holdings and each outstanding share of common stock of MHC was converted into the right to receive $27.15 in cash.

CHANGES IN THE UTILITY INDUSTRY AND MIDAMERICAN

The electric utility industry is in the midst of significant regulatory change. Traditionally, prices charged by electric utility companies have been regulated by federal and state commissions and have been based on cost of service. In recent years, changes have occurred, and are expected to continue to occur, that move the electric utility industry toward a more competitive, market-based pricing environment. These changes will have a significant impact on the way MidAmerican does business. Refer to the discussions under "Industry Evolution" and "Legislative and Regulatory Evolution" in the OPERATING ACTIVITIES AND OTHER MATTERS section of MD&A in Part IV, Item 14 of this Form 10-K.

A substantial majority of MidAmerican's business still operates in a rate-regulated environment and, accordingly, many decisions for obtaining and using resources are evaluated from an electric and gas regulated business perspective. However, beginning January 1, 1998, MidAmerican also manages its operations as four distinct business units: generation, transmission, energy distribution and retail. It is under this framework that MidAmerican believes it can best prepare for, and succeed in, the energy business of the future. With these four business units, MidAmerican is better able to focus on the specific needs and anticipated risks and opportunities of its major businesses. Certain administrative functions are handled by a corporate services group which supports all of the business units.

Although specific functions may be moved between business units as future circumstances warrant, the main focus of each business unit has been established. Presently, significant functions of the generation business unit include the production of electricity, the purchase of electricity and natural gas, and the sale of wholesale electricity and natural gas. The transmission business unit coordinates all activities related to MidAmerican's electric transmission facilities, including monitoring access to and assuring the reliability of the transmission system. The energy distribution business unit distributes electricity and natural gas to end-users and conducts related activities. Retail includes marketing, customer service and related functions for core and complementary products and services.

The Company expects that, as the industry moves toward competition, generation and retail functions will not be rate-regulated. Energy distribution and transmission functions, though not unaffected by industry changes, are expected to remain rate-regulated by state and federal commissions.

YEAR 2000 COMPUTER ISSUES

MidAmerican's businesses and operations, as well as those of third parties with whom MidAmerican transacts business, utilize computers and computer-controlled systems, applications and processes (herein after referred to as "Systems"). Because of the program structures within some of these Systems, they could fail or create erroneous results when required to recognize the year 2000. The effect of such failures or errors could result in significant operational problems and/or costs material to MidAmerican. MidAmerican is addressing the year 2000 issue and taking steps, including remediation and contingency planning, to assure that any processes that may be date-sensitive are ready for the year 2000. Refer to the ACTIVITIES REGARDING YEAR 2000 DATE ISSUES section of MD&A included in Part IV, Item 14 of this Form 10-K for a discussion of this topic.

(b) Financial Information About Industry Segments

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

(c) Narrative Description of Business

MidAmerican is the largest energy company headquartered in Iowa, with assets and 1998 revenues totaling $3.6 billion and $1.7 billion, respectively. Its strategy is to become the leading regional provider of energy and complementary services. MidAmerican is primarily engaged in the business of generating, transmitting, distributing and selling electric energy and in distributing, selling and transporting natural gas. MidAmerican distributes electric energy at retail in Council Bluffs, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa, the Quad Cities (Davenport and Bettendorf, Iowa and Rock Island, Moline and East Moline, Illinois) and a number of adjacent communities and areas. It also distributes natural gas at retail in Cedar Rapids, Des Moines, Fort Dodge, Iowa City, Sioux City and Waterloo, Iowa; the Quad Cities; Sioux Falls, South Dakota; and a number of adjacent communities and areas. As of December 31, 1998, MidAmerican had 652,900 retail electric customers and 621,500 retail natural gas customers.

In addition to retail sales, MidAmerican delivers electric energy to other utilities and municipalities who distribute it to end-use customers (sales for resale) and transports natural gas through its distribution system for a number of end-use customers who have independently secured their supply of natural gas.

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

MidAmerican has a residential, agricultural, commercial and diversified industrial customer group, in which no single industry or customer accounted for more than 3% (food and kindred products industry) of its total 1998 electric operating revenues or 3% (food and kindred products industry) of its total 1998 gas operating margin. Among the primary industries served by MidAmerican are those which are concerned with the manufacturing, processing and fabrication of primary metals, real estate, food products, farm and other non-electrical machinery, and cement and gypsum products.

During 1998, MidAmerican increased its emphasis on wholesale gas marketing activities, some of which was previously managed by one of MHC's nonregulated subsidiaries. (Refer to the NONREGULATED OPERATIONS section later in Part I for further discussion).

For the year ended December 31, 1998, MidAmerican derived approximately 69% of its gross operating revenues from its regulated electric business, and 25% from its regulated gas business and 6% from its nonregulated business activities. For 1997 and 1996, the corresponding percentages were 65% electric, 31% gas and 4% nonregulated; and 66% electric, 32% gas and 2% nonregulated, respectively.

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

Total Electric Sales
By Customer Class

	1998	1997	1996
Residential	22.2%	20.9%	21.1%
Small General Service	17.5	16.5	16.2
Large General Service	28.1	27.4	27.6
Other	4.4	4.4	4.5
Sales for Resale	27.8	30.8	30.6
Total	100.0%	100.0%	100.0%

Retail Electric Sales
By State

	1998	1997	1996
Iowa	88.4%	88.6%	88.7%
Illinois	10.9	10.7	10.6
South Dakota	0.7	0.7	0.7
Total	100.0%	100.0%	100.0%

In Illinois beginning October 1, 1999, larger non-residential customers and 33% of the remaining non-residential customers will be allowed to select their provider of electric supply services. All other non-residential customers will have supplier choice starting December 31, 2000. Residential customers all receive the opportunity to select their electric supplier on May 1, 2002.

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

Total Regulated Gas Sales
By Customer Class

	1998	1997	1996
Residential	59.9%	60.8%	61.1%
Small General Service	32.1	33.1	33.3
Large General Service	3.7	4.2	4.6
Other	4.3	1.9	1.0
Total	100.0%	100.0%	100.0%

Retail Gas Sales
By State

	1998	1997	1996
Iowa	79.0%	79.1%	78.0%
Illinois	10.2	10.4	11.0
South Dakota	10.1	9.8	10.3
Nebraska	0.7	0.7	0.7
Total	100.0%	100.0%	100.0%

There are seasonal variations in MidAmerican's electric and gas businesses which are principally related to the use of energy for air conditioning and heating. In 1998, 40% of MidAmerican's electric revenues were reported in the months of June, July, August and September, and 54% of MidAmerican's gas revenues were reported in the months of January, February, March and December.

At December 31, 1998, MidAmerican had 3,703 full-time employees of which 1,698 were covered by union contracts. MidAmerican has eight separate contracts with locals of the International Brotherhood of Electrical Workers (IBEW), the United Association of Plumbers and Pipefitters and the United Paper Workers International Union. The contracts covering most union employees are as follows:

Union	Local	Employee Members	Contract Expiration Date
IBEW	109	441	7/31/99
IBEW	499	1,107	3/01/2000

The Local 499 members numbered above are covered under three separate contracts based on the location of the Local 499 of which they are a member.

REGULATED ELECTRIC OPERATIONS

The annual hourly peak demand on MidAmerican's electric system occurs principally as a result of air conditioning use during the cooling season. In July 1998, MidAmerican recorded an hourly peak demand of 3,643 MW, which was 90 MW more than MidAmerican's previous record hourly peak of 3,553 MW set in 1995.

MidAmerican's accredited net generating capability in the summer of 1998 was 4,425 MW. Accredited net generating capability represents the amount of generation available to meet the requirements on MidAmerican's energy system, net of the effect of participation purchases and sales, and consists of Company-owned generation and power purchased under a long-term power purchase contract. The net generating capability at any time may be less due to regulatory restrictions, fuel restrictions and generating units being temporarily out of service for inspection, maintenance, refueling or modifications. Refer to Item 2, Properties, for detail of the accredited net generating capability for the summer of 1998.

MidAmerican is interconnected with certain Iowa and neighboring utilities and is involved in an electric power pooling agreement known as MAPP. MAPP is a voluntary association of electric utilities doing business in Iowa, Minnesota, Nebraska and North Dakota and portions of Illinois, Missouri, Montana, South Dakota and Wisconsin and the Canadian provinces of Saskatchewan and Manitoba. Its membership also includes power marketers, regulatory agencies and independent power producers. MAPP facilitates operation of the transmission system, serves as a power and energy market clearing house and is responsible for the safety and reliability of the bulk electric system.

Each MAPP participant is required to maintain for emergency purposes a net generating capability reserve of at least 15% above its system peak demand. If a participant's capability reserve falls below the 15% minimum, significant penalties would be contractually imposed by MAPP. MidAmerican's reserve margin for 1998 was approximately 20%.

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

Fuel Supply for Electric Operations

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

	Year Ended December 31,		
	1998	1997	1996
Coal	79.2%	76.3%	75.6%
Nuclear*	19.5	23.0	23.9
Gas	1.1	0.6	0.4
Oil	0.2	0.1	0.1
Total	100.0%	100.0%	100.0%

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

Prior to July 1997, MidAmerican was allowed to recover its energy costs from most of its electric utility customers through EACs. Beginning in July 1997, the Iowa EAC was eliminated as part of the Iowa pricing plan approved by the IUB. Accordingly, fluctuations in energy costs now may affect MidAmerican's earnings.

All of the coal-fired generating stations operated by MidAmerican are fueled primarily by low-sulfur, western coal from the Powder River Basin. The use of low-sulfur western coal enables MidAmerican to comply with the acid rain provisions of the CAAA without having to install additional costly emissions control equipment at its generating stations. MidAmerican's coal supply portfolio includes multiple suppliers and mines under agreements of varying term and quantity flexibility. During 1998 approximately 65% of MidAmerican's coal purchases were made under spot coal purchase agreements. MidAmerican regularly monitors the western coal market, looking for opportunities to improve its coal supply portfolio. MidAmerican believes its sources of coal supply are and will continue to be satisfactory. Additional information regarding MidAmerican's coal supply contracts is included in Note (4)(g) of Notes to Consolidated Financial Statements in Part IV, Item 14, of this Form 10-K.

MidAmerican uses both the Union Pacific Railroad (UP) and the Burlington Northern and Santa Fe Railway (BNSF) as originating carriers of its coal supply in order to achieve transportation diversity and competitive rates. Coal is delivered directly to MidAmerican's Neal Energy Center and Council Bluffs Energy Center (CBEC) by the UP and the BNSF, respectively. Coal for MidAmerican's Louisa and Riverside Energy Centers is delivered to an interchange point by the BNSF for transportation to its destination by the I&M Rail Link. Competitive rail access is available to CBEC and to the interchange point for deliveries to Louisa and Riverside Energy Centers. MidAmerican believes its coal transportation arrangements are adequate to meet its coal delivery needs.

While coal deliveries to certain of MidAmerican's generating stations were adversely affected by the UP's nationwide operational problems in 1997 and early 1998, MidAmerican believes its coal inventories are adequate to meet its needs at expected generation levels.

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

MidAmerican is a 25% joint owner of Quad Cities Station. MidAmerican has been advised by ComEd, the joint owner and operator of Quad Cities Station, that the majority of its uranium concentrate and uranium conversion requirements for Quad Cities Station for 1999 can be met under existing supplies or commitments. ComEd foresees no problem in obtaining the remaining requirements now or obtaining future requirements. ComEd further advises that all enrichment requirements have been contracted through 2004. Commitments for fuel fabrication have been obtained at least through 2001. ComEd does not anticipate that it will have difficulty in contracting for uranium concentrates for conversion, enrichment or fabrication of nuclear fuel needed to operate Quad Cities Station.

MidAmerican purchases one-half of the power and energy of Cooper through a long-term power purchase contract with NPPD. Approximately 30% of the fuel in the core at Cooper must be replaced every 18 months. The next refueling cycle is currently scheduled to begin in March 2000. NPPD has informed MidAmerican that it either has sufficient materials and services available to meet foreseeable Cooper requirements or that such materials and services are readily available from suppliers.

Under the NWPA, the DOE is responsible for the selection and development of repositories for, and the permanent disposal of, spent nuclear fuel and high-level radioactive wastes. ComEd and NPPD, as required by the NWPA, each signed a contract with the DOE to provide for the disposal of spent nuclear fuel and high-level radioactive waste beginning not later than January 1998. The DOE did not begin receiving spent nuclear fuel on the scheduled date, and it is expected that the schedule will be significantly delayed. The costs incurred by the DOE for disposal activities are being financed by fees charged to owners and generators of the waste. ComEd has informed MidAmerican that there is on-site storage capability at the Quad Cities Station sufficient to permit such interim storage at least through 2006. NPPD has informed MidAmerican that there is on-site storage capability at Cooper sufficient to permit such interim storage at least through 2004, the remaining term of the long-term power purchase contract. Meeting spent nuclear fuel storage requirements beyond such time could require modifications to the spent fuel storage pools or new and separate storage facilities. Industry activities are underway to utilize dry casks for the interim storage of high-level radioactive waste. This may provide an alternative for interim on-site storage of such waste.

REGULATED NATURAL GAS OPERATIONS

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

MidAmerican also transports through its distribution system natural gas purchased independently by a number of end-use customers. During 1998, approximately 42% of total gas delivered on MidAmerican's system was under gas transportation service.

On October 30, 1998, MidAmerican filed a Small Volume Transportation Plan with the IUB to unbundle service for its small volume customers. Under the plan, which is subject to IUB approval, all of MidAmerican's small volume natural gas customers in Iowa, including residential customers, would be allowed to choose their own natural gas supplier/marketer beginning May 1, 2000. Refer to the OPERATING ACTIVITIES AND OTHER MATTERS section of MD&A in Part VI, Item 14 of this Form 10-K for more information.

Fuel Supply and Capacity

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

MidAmerican has rights to firm pipeline capacity to transport gas to its service territory through direct interconnects to the NNG, NGPL, NBPL and ANR pipeline systems. Firm capacity in excess of MidAmerican's system needs, resulting from differences between the capacity portfolio and seasonal system demand, can be resold to other companies to achieve optimum use of the available capacity. Past IUB rulings have allowed MidAmerican to retain 30% of Iowa margins earned on the resold capacity, with the remaining 70% being returned to customers through the purchased gas adjustment clause.

MidAmerican's cost of gas is recovered from customers through purchased gas adjustment clauses. In 1995, the IUB approved MidAmerican's Incentive Gas Supply Procurement Program for a three-year test period which expired in November 1998. MidAmerican has filed with the IUB to continue this program. Under the program, MidAmerican is required to file with the IUB every six months a comparison of its gas procurement costs to an index-based reference price. If MidAmerican's cost of gas for the period is lessor greater than an established tolerance band around the reference price, then MidAmerican shares a portion of the savings or cost with customers. Since the implementation of the program, MidAmerican has successfully achieved and shared in savings for its natural gas customers.

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

On February 2, 1996, MidAmerican had its highest peak-day delivery of 1,143,026 MMBtus. This peak-day delivery consisted of approximately 88% traditional sales service and 12% transportation service of customer-owned gas. MidAmerican's 1998/99 winter heating season peak-day delivery of 1,119,838 MMBtus was reached on January 4, 1999. This peak-day delivery included approximately 78% traditional sales service and 22% transportation service.

The supply sources utilized by MidAmerican to meet its 1998/99 peak-day deliveries to its sales service customers were:

	Thousands of MMBtus	Percent of Total
Leased Storage and Peak Shaving Plants	420.1	48.3%
Firm Supply	449.2	51.7
Total	869.3	100.0%

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

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

NONREGULATED OPERATIONS

MidAmerican's nonregulated operations include a variety of activities outside of the traditional regulated electric and gas services. Some of the activities included in nonregulated operations have previously been reflected in Non-Operating Income on the Company's Consolidated Statements of Income. Refer to Note 1(b) of Notes to Consolidated Financial Statements in Part IV, Item 14 of this Form 10-K. Additionally, MidAmerican has initiated new activities in preparation for a competitive electric utility industry.

A majority of MidAmerican's nonregulated revenue is generated by its nonregulated natural gas marketing services. MidAmerican purchases gas from producers and third party marketers and sells it to wholesalers and large end-users. Beginning in May 1998, contracts previously serviced by a nonregulated subsidiary of MHC were renewed as MidAmerican contracts, creating a significant increase in these operations at MidAmerican. In addition, MidAmerican manages gas supplies for a number of small commercial end-users and sells these customers gas to meet their supply requirements. Sales volumes for these nonregulated gas marketing services totaled 39 million MMBtu's, 21 million MMBtu's and 14 million MMBtu's for 1998, 1997 and 1996, respectively.

Nonregulated revenues of MidAmerican also include awards received for successful performance under its Incentive Gas Supply Procurement Plan discussed in the REGULATED NATURAL GAS OPERATIONS section.

As the utility industry progresses toward a competitive marketplace, MidAmerican is researching and developing additional services and products to offer customers. Although many of the products and services are not ready to be marketed, MidAmerican is now offering several. For example, MidAmerican offers an Extended Service Protection Program that provides coordination and coverage of maintenance services for home appliances. It is anticipated that customers in the competitive environment will want more than the traditional services from their energy provider, and MidAmerican expects to seek ways to satisfy these customer desires.

CONSTRUCTION PROGRAM

The table below shows actual utility capital expenditures for 1998 and budgeted utility expenditures for 1999.

	1998 Actual	1999 Budgeted
	(In thousands)	
Electric Property		
Production	$ 15,968	$ 30,996
Transmission	23,396	30,180
Distribution	50,281	47,149
Gas	29,618	29,686
Information Technology and Other	66,552	47,185
Subtotal	185,815	185,196
Quad Cities Fuel	7,539	9,100
Total	$193,354	$194,296

The amounts shown above include allowance for funds used during construction. Of the $31.0 million of budgeted electric production expenditures for 1999, $6.5 million is for expenditures at the Quad Cities Station. In addition to the expenditures shown above, MidAmerican contributes to external trusts for Quad Cities Station nuclear decommissioning. Refer to the INVESTING ACTIVITIES AND PLANS section of MD&A, under "Nuclear Decommissioning" for further discussion.

REGULATION

General Utility Regulation

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

MidAmerican is regulated by the ICC as to retail rates, services, accounts, issuance of securities, affiliate transactions, construction, acquisition and sale of utility property, acquisition and sale of securities and in other respects as provided by the laws of Illinois. MidAmerican is regulated by the IUB as to retail rates, services, accounts, construction of utility property and in other respects as provided by the laws of Iowa.

MidAmerican is also subject to regulation by the SDPUC as to electric and gas retail rates and service as provided by the laws of South Dakota.

Rate Regulation

Under Iowa law, temporary collection of higher rates can begin (subject to refund) 90 days after filing with the IUB for that portion of such higher rates approved by the IUB based on prior ratemaking principles and a rate of return on common equity previously approved. If the IUB has not issued a final order within ten months after the filing date, the temporary rates cease to be subject to refund and any balance of the requested rate increase may then be collected subject to refund. Exceptions to the ten-month limitation provide for extensions due to a utility's lack of due diligence in the rate proceeding, judicial appeals and situations involving new generating units being placed in service. Information regarding MidAmerican's 1997 rate settlement for its Iowa electric rates is included under the caption "Rate Matters" in the OPERATING ACTIVITIES AND OTHER MATTERS section of MD&A in Part IV, Item 14 of this Form 10-K. MidAmerican's cost of gas is reflected in its Iowa gas rates through the Iowa Uniform Purchased Gas Adjustment Clause.

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

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

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

Refer to the information under the caption "Legislative and Regulatory Evolution" in the OPERATING ACTIVITIES AND OTHER MATTERS section of MD&A in Part IV, Item 14 of this Form 10-K for additional discussion of matters affecting utility regulation.

Iowa law requires electric and gas utilities to spend a portion of their annual Iowa jurisdictional revenues on energy efficiency programs. Rules no longer specify mandatory spending levels; however, electric and gas utilities previously were required to spend approximately 2.0% and 1.5%, respectively, of their annual Iowa jurisdictional revenues. Utilities are allowed to recover the cost of energy efficiency programs from their customers, subject to IUB review. MidAmerican is recovering its historical energy efficiency program costs, which were deferred until recovery in accordance with prior energy efficiency regulations. MidAmerican is also recovering the current costs of its ongoing energy efficiency programs. Refer to the discussion under "Energy Efficiency" in the OPERATING ACTIVITIES AND OTHER MATTERS section of MD&A in Part IV, Item 14 of this Form 10-K.

Nuclear Regulation

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

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

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

Federal regulations provide that any nuclear operating facility may be required to cease operation if the NRC determines there are deficiencies in state, local or utility emergency preparedness plans relating to such facility, and the deficiencies are not corrected. ComEd and NPPD have advised MidAmerican that emergency preparedness plans for the Quad Cities Station and Cooper, respectively, have been approved by the NRC. ComEd and NPPD have also advised MidAmerican that state and local plans relating to the Quad Cities Station and Cooper, respectively, have been approved by the Federal Emergency Management Agency.

In January 1998, ComEd was informed by the NRC that the performance of Quad Cities Station was trending adversely. During outages to address certain safety issues at Units 1 and 2 in the first five months of 1998, ComEd worked extensively with the NRC regarding its concerns. In a July 1998 meeting ComEd was informed by the NRC that while the adverse trend at Quad Cities Station appears to have been stopped, the operating time of the units since their restarts in May and June, 1998 was not yet sufficient for the NRC to make a final determination of the trend status of Quad Cities Station. The NRC senior managers are scheduled to meet again in April 1999 and are scheduled to consider the performance of nuclear power plants, including Quad Cities Station.

In June 1988, the NRC adopted regulations with respect to the decommissioning of nuclear power plants. In 1996, the NRC enacted revisions to provide clarification of these regulations. Among other things, the regulations and amendments address the planning and funding for the eventual decommissioning of nuclear power plants. In response to these regulations, MidAmerican submitted a report to the NRC in July 1990 indicating that it will provide "reasonable assurance" that funds will be available to pay the costs of decommissioning its share of the Quad Cities Station. NPPD has advised MidAmerican that a report addressing decommissioning funding for Cooper has been submitted and approved by the NRC.

MidAmerican has established external trusts for the investment of funds collected for nuclear decommissioning associated with Quad Cities Station. NPPD maintains an internal account and an external trust for decommissioning funds associated with Cooper. MidAmerican makes contributions to NPPD related to decommissioning and reflects those contributions in MidAmerican's power purchase costs. Electric tariffs currently in effect include provisions for annual decommissioning costs at Quad Cities Station and Cooper. In Illinois, nuclear decommissioning costs are included in customer billings through a mechanism that permits annual adjustments. In Iowa, such costs are reflected in base rates. MidAmerican's cost related to decommissioning funding in 1998 was $19.3 million. Refer to "Cooper Litigation" under LEGAL PROCEEDINGS in Part I, Item 3 of this form 10-K for discussion of a proceeding related to the Cooper power purchase agreement.

Environmental Regulations

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

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

Air Quality -

The CAAA was signed into law in November 1990. MidAmerican has five jointly owned and six wholly owned coal-fired generating units, which represent approximately 65% of MidAmerican's electric generating capability. Essentially all utility generating units are subject to the provisions of the CAAA which address continuous emissions monitoring, permit requirements and fees and emissions of certain substances. Under current regulations, MidAmerican does not anticipate its construction costs for the installation of emissions monitoring system upgrades through 2000 to be material. MidAmerican's generating units meet all Title IV CAAA requirements through 2007. Title IV of the CAAA, which is also known as the Acid Rain Program, sets forth requirements for the emission of sulfur dioxide and nitrogen oxides at electric utility generating stations.

Refer to the discussion under the caption "Environmental Matters" in the OPERATING ACTIVITIES AND OTHER MATTERS section of MD&A in Part IV, Item 14, of this Form 10-K for additional information regarding air quality regulation.

Water Quality -

Under the Federal Water Pollution Control Act Amendments of 1972, as amended, MidAmerican is required to obtain NPDES permits to discharge effluents (including thermal discharges) from its properties into various waterways. All NPDES permits are subject to renewal after specified time periods not to exceed five years. MidAmerican has obtained all necessary NPDES permits for its generating stations, and when such permits are expected to expire, MidAmerican will file applications for renewal.

Hazardous Materials and Waste Management -

The EPA and state environmental agencies have determined that contaminated wastes remaining at certain decommissioned 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.

MidAmerican is evaluating 27 properties which were, at one time, sites of MGP facilities in which it may be a potentially responsible party. MidAmerican's present estimate of probable remediation costs of these sites is $24 million. The ICC 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. MidAmerican's present rates in Iowa provide for a fixed annual recovery of MGP costs.

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

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

Other -

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

In December 1997, negotiators from more than 150 nations met in Kyoto, Japan to negotiate an international agreement designed to address global climate change impacts by attempting to reduce so-called greenhouse gas emissions. Some scientists contend that these gases build up in the Earth's atmosphere and cause global temperatures to rise. The primary target of these emissions is carbon dioxide (CO_2) which is formed by, among other things, the combustion of fossil fuels. The agreement currently calls for the United States to reduce its emissions of CO_2 and other greenhouse gases to 7 percent below 1990 levels in the 2008-2012 time frame. The United States became a signatory to the agreement on November 12, 1998. In order for the agreement to become binding upon the United States, ratification by the U.S. Senate is necessary. The cost to MidAmerican of reducing its CO_2 emissions levels by 7 percent below 1990 levels would depend on available technology at the time, but could be material.

In accordance with the requirements of Section 112 of the CAAA, the EPA has performed a study of the hazards to public health reasonably anticipated to occur as a result of emissions of hazardous air pollutants (HAPs) by electric utility steam generating units. In February 1998, EPA issued its Final Report to Congress, indicating that mercury is the HAP of greatest potential concern from coal-fired generating units and that additional research and monitoring are necessary. As such the EPA has issued a request under Section 114 of the CAAA requiring all electric utilities to provide information that will allow the EPA to calculate the annual mercury emissions from each coal-fired generating unit for the calendar year 1999. This information will be used to assist the EPA in determining whether it is appropriate and necessary to regulate mercury emissions from coal-fired generating units. The cost to MidAmerican of reducing its mercury emissions would depend on available technology at the time, but could be material.

ITEM 2. PROPERTIES

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

The net accredited generating capacity of MidAmerican, along with the participation purchases and sales, net, and firm purchases and sales, net, are shown for summer 1998 accreditation.

Plant	Percent Ownership	Fuel	Company's Share of Accredited Generating Capability (MW)
Steam Electric Generating Plants:			
Council Bluffs Energy Center			
Unit No. 1	100.0	Coal	43
Unit No. 2	100.0	Coal	88
Unit No. 3	79.1	Coal	534
George Neal Station			
Unit No. 1	100.0	Coal	135
Unit No. 2	100.0	Coal	300
Unit No. 3	72.0	Coal	371
Unit No. 4	40.6	Coal	253
Louisa Unit	88.0	Coal	616
Ottumwa Unit	52.0	Coal	372
Riverside Station			
Unit No. 3	100.0	Coal	5
Unit No. 5	100.0	Coal	130
			2,847
Combustion Turbines:			
Coralville - 4 units	100.0	Gas/Oil	64
Electrifarm - 3 units	100.0	Gas/Oil	191
Moline - 4 units	100.0	Gas/Oil	64
Parr - 2 units	100.0	Gas/Oil	32
Pleasant Hill Energy Center - 3 units	100.0	Oil	148
River Hills Energy Center - 8 units	100.0	Gas/Oil	116
Sycamore Energy Center - 2 units	100.0	Gas/Oil	149
			764
Nuclear:			
Cooper (1)	(1)	Nuclear	385
Quad-Cities Station			
Unit No. 1	25.0	Nuclear	192
Unit No. 2	25.0	Nuclear	190
			767
Hydro:			
Moline - 4 units	100.0	Water	3
Net Accredited Generating Capacity			4,381
Participation Purchases and Sales, Net			44
Total Net Accredited Generating Capability			4,425
Firm Purchases and Sales, Net			(50)
Adjusted Net Accredited Generating Capability			4,375

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

The electric transmission system of MidAmerican at December 31, 1998, included 896 miles of 345-kV lines, 1,294 miles of 161-kV lines, 1,796 miles of 69-kV lines and 219 miles of 34.5-kV lines.

The gas distribution facilities of MidAmerican at December 31, 1998, included 19,428 miles of gas mains and services.

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

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries have no material legal proceedings except for the following:

Environmental Matters

Information on the Company's environmental matters is included in Item 1 - Business and under the Note "Environmental Matters" in Notes to Consolidated Financial Statements in Part IV, Item 14 of this Form 10-K.

Cooper Litigation

On July 23, 1997, NPPD filed a Complaint, in the United States District Court for the District of Nebraska, naming MidAmerican as the defendant and seeking declaratory judgment as to three issues under the parties' long-term power purchase agreement for Cooper capacity and energy. More specifically, NPPD seeks a declaratory judgment in the following respects: (1) that MidAmerican is obligated to pay 50% of all costs and expenses associated with decommissioning Cooper, and that in the event NPPD continues to operate Cooper after expiration of the power purchase agreement (September 2004), MidAmerican is not entitled to reimbursement of any decommissioning funds it has paid to date or will pay in the future; (2) that the current method of allocating transition costs as a part of the decommissioning cost is proper under the power purchase agreement; and (3) that the current method of investing decommissioning funds is proper under the power purchase agreement.

MidAmerican filed its answer and contingent counterclaims. The contingent counterclaims filed by MidAmerican are generally as follows: (1) that MidAmerican has no duty under the power purchase agreement to reimburse or pay 50% of the decommissioning costs unless certain conditions occur; (2) that NPPD has the duty to repay all amounts that MidAmerican has prefunded for decommissioning in the event NPPD operates the plant after the term of the power purchase agreement; (3) that NPPD is equitably estopped from continuing to operate the plant after the term of the power purchase agreement; (4) that NPPD has granted MidAmerican an option to continue taking 50% of the power from the plant; (5) that the term "monthly power costs" as defined in the power purchase agreement does not include costs and expenses associated with decommissioning the plant; (6) that MidAmerican has no duty to pay for nuclear fuel, O&M projects or capital improvements that have useful lives after the term of the power purchase agreement; (7) that transition costs are not included in any decommissioning costs and expenses; (8) that NPPD has breached its duty to MidAmerican in making investments of certain funds; (9) that reserves in certain accounts are excessive and should be refunded to MidAmerican; and (10) that NPPD must credit MidAmerican for certain payments by MidAmerican for low-level radioactive waste disposal.

MidAmerican and NPPD are currently involved in discovery. The trial in this case is presently scheduled for November 1999. MidAmerican is vigorously defending and pursuing its interest in this proceeding.

North Star Steel Company

On December 8, 1997, North Star Steel Company (NSS), a retail MidAmerican electric customer, filed a Complaint in the United States District Court for the Southern District of Iowa naming MHC and MidAmerican as defendants. The Complaint alleges that MidAmerican's refusal to allow NSS to obtain retail electric service from an unspecified alternative energy company amounts to a violation of federal antitrust laws. NSS sought to recover an unspecified level of damages, and to require MidAmerican to provide retail wheeling service so that NSS could obtain electricity from an unnamed supplier. On June 23, 1998, the District Court issued an Order Granting Summary Judgment in favor of MidAmerican. On July 20, 1998, NSS appealed that decision to the United States Court of Appeals for the Eighth Circuit. That appeal is currently pending.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None.

PART II

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

MidAmerican's outstanding common stock is held entirely by MHC and is not publicly traded. Cash dividends declared on common stock of MidAmerican are shown in the table below (in thousands).

	1998	1997
4th Quarter	$33,500	$29,000
3rd Quarter	33,500	20,000
2nd Quarter	28,600	40,000
1st Quarter	28,600	31,500

ITEM 6. SELECTED FINANCIAL DATA

Reference is made to Part IV of this report.

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

Reference is made to Part IV of this report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

MidAmerican is exposed to market risk, including changes in the market price of certain commodities. To manage the price volatility relating to these exposures, MidAmerican enters into various financial derivative instruments. A Risk Management Committee of senior officers governs the overall direction, structure, conduct and control of the Company's risk management activities, including the use of financial derivative instruments. Responsibilities of the Risk Management Committee include authorization and communication of risk management policies and procedures, strategic hedging program guidelines, appropriate market and credit risk limits, and appropriate systems for recording, monitoring and reporting the results of transactional and risk management activities.

MidAmerican uses hedge accounting for commodity-related instruments pertaining to its natural gas purchasing operations. MidAmerican changed the method of reporting market risk from the tabular presentation in the previous year to the sensitivity analysis method in the current period to provide readers with an estimate of impacts on net income or fair value where appropriate.

COMMODITY PRICE RISK

Regulated Natural Gas Operations-

Under the current regulatory framework, MidAmerican is allowed to recover in revenues the cost of gas sold from most of its regulated gas customers through a purchased gas adjustment clause (PGA). MidAmerican derived approximately 94% of its regulated gas revenues from such customers in 1998. Since the majority of MidAmerican's firm natural gas supply contracts contain pricing provisions based on a daily or monthly market index, MidAmerican's regulated gas customers, although ensured of the availability of gas supplies, retain the risk associated with market price volatility.

MidAmerican enters into natural gas futures and swap agreements to mitigate a portion of the market risk retained by its regulated gas customers through the PGA. These financial derivative activities are recorded as hedge accounting transactions, with net amounts exchanged or accrued under swap agreements and realized gains or losses on futures contracts included in the cost of gas sold and recovered in revenues from regulated gas customers. At December 31, 1998, MidAmerican had entered into the following financial derivative instruments for regulated operations:

Futures Contracts:	
Net Contract Volumes- Long (Short)	(240,000) MMBtu
Unrealized Gain (Loss) at 12/31/98 (in thousands)	$(1,843)
Swap Contracts:	
Contract Volumes	7,200,000 MMBtu
Unrealized Gain (Loss) at 12/31/98 (in thousands)	$225

A $0.05 increase in underlying natural gas prices would increase unrealized losses on the above futures contracts by approximately $12,000 and would increase unrealized gains on the above swap contracts by approximately $360,000.

Nonregulated Natural Gas Operations-

MidAmerican also derives revenues from nonregulated sales of natural gas. Pricing provisions are individually negotiated with these customers and may include fixed prices or prices based on a daily or monthly market index. MidAmerican enters into natural gas futures and swap agreements to offset the financial impact of variations in natural gas commodity prices for physical delivery to nonregulated customers. These financial derivative activities are recorded as hedge accounting transactions, with net amounts exchanged or accrued under swap agreements and realized gains or losses on futures contracts included in the cost of gas sold. At December 31, 1998, MidAmerican had entered into the following financial derivative instruments for nonregulated operations:

Futures Contracts:	
Net Contract Volumes- Long (Short)	(110,000) MMBtu
Unrealized Gain (Loss) at 12/31/98 (in thousands)	$28
Swap Contracts:	
Contract Volumes	9,122,181 MMBtu
Unrealized Gain (Loss) at 12/31/98 (in thousands)	$(3,121)

A $0.05 increase in underlying natural gas prices would decrease unrealized gains on the above futures contracts by approximately $6,000 and would decrease unrealized losses on the above swap contracts by approximately $456,000. Unrealized gains and losses on financial derivatives entered into for nonregulated operations have little ultimate impact on MidAmerican's earnings and cash flow as these amounts are offset by corresponding changes in the theoretical value of underlying contracts for physical delivery of natural gas to nonregulated customers.

1997 Total Natural Gas Operations-

At December 31, 1997, MidAmerican had entered into the following financial derivative instruments for natural gas operations:

Futures Contracts:	
Net Contract Volumes- Long (Short)	2,000,000 MMBtu
Unrealized Gain (Loss) at 12/31/97 (in thousands)	$(386)
Swap Contracts:	
Contract Volumes	6,968,807 MMBtu
Unrealized Gain (Loss) at 12/31/97 (in thousands)	$(885)

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to Part IV of this report.

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

As a result of the merger transaction with CalEnergy on March 12, 1999, Deloitte & Touche LLP will be MidAmerican's new independent accountants for accounting periods subsequent to the fiscal year ended December 31, 1998. For further details, refer to MidAmerican's Form 8-K filed on March 12, 1999.

PART III

ITEM 10. DIRECTORS AND OFFICERS OF THE REGISTRANT

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

(a) Identification

Name	Age	Present Position	Served in Present Position Since	Served as Director Since
David L. Sokol	42	Chairman and Director	1999	1999
Gregory E. Abel	36	Chief Executive Officer and Director	1999	1999
Ronald W. Stepien	52	President and Director	1999	1996
Wayne O. Smith	55	Executive Vice President and Director	1997	1997
Jack L. Alexander	51	Senior Vice President	1998	
David J. Levy	44	Senior Vice President	1996	
John A. Rasmussen, Jr.	53	Senior Vice President and General Counsel	1996	
Alan L. Wells	39	Senior Vice President and Chief Financial Officer	1997	
Beverly A. Wharton	45	Senior Vice President	1996	

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

(b) Business Experience

David L. Sokol

Chairman of MidAmerican since March 1999. Mr. Sokol was Chairman of CalEnergy from May 1994 to March 1999 and Chief Executive Officer of CalEnergy from April 1993 to March 1999.

Gregory E. Abel

Chief Executive Officer of MidAmerican since March 1999. Mr. Abel joined CalEnergy in 1992. At CalEnergy he held various executive positions including responsibility for engineering, construction, accounting and various administrative functions.

Ronald W. Stepien

President of MidAmerican since November 1, 1998. Executive Vice President of MidAmerican from November 1, 1996, to October 31, 1998, and Group Vice President from 1995 to November 1, 1996. Vice President of Iowa-Illinois from 1990 to 1995.

Wayne O. Smith

Executive Vice President of MidAmerican since September 1, 1997. Executive Vice President and President and Chief Operating Officer - Specialty Chemicals at B. F. Goodrich Company from 1994 to 1997.

Jack L. Alexander

Senior Vice President of MidAmerican since November 1, 1998. Vice President of MidAmerican from November 1, 1996, to October 31, 1998, and various executive and management positions with MidAmerican and Midwest for more than five years prior thereto.

David J. Levy

Senior Vice President of MidAmerican since November 1, 1996, and Vice President from 1995 to November 1, 1996. Vice President of Iowa-Illinois from 1993 to 1995.

John A. Rasmussen, Jr.

Senior Vice President and General Counsel of MidAmerican since November 1, 1996, and Group Vice President and General Counsel from July 1, 1995, to November 1, 1996. Vice President and General Counsel of Midwest from 1993 to 1995.

Alan L. Wells

Senior Vice President and Chief Financial Officer of MidAmerican since November 1, 1997, Vice President of MidAmerican from November 1, 1996, to November 1, 1997, and various executive and management positions with MidAmerican from July 1, 1995 to November 1, 1996. Various executive and management positions with Iowa-Illinois from 1993 to 1995.

Beverly A. Wharton

Senior Vice President of MidAmerican since November 1, 1996, and President, Gas Division from 1995 to October 31, 1996. Group Vice President of Midwest from 1992 to 1995. Director of The Security National Bank of Sioux City.

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the compensation for services in all capacities to MidAmerican and its parent and other subsidiaries for the fiscal years ended December 31, 1998, 1997 and 1996 of those persons who were (i) during the year ended December 31, 1998, the chief executive officer and (ii) at December 31, 1998, the other four most highly compensated executive officers of MidAmerican ("named executive officers").

Summary Compensation Table

		Annual Compensation			Long-Term Compensation (4)		
Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Other Annual Compensation ($)	Awards: Securities Underlying Options (#)(2)	Payouts: LTIP Payouts ($)	All Other Compensation ($)(3)
Stanley J. Bright	1998	562,000	396,875	-	87,500	-	44,622
Chairman and	1997	487,000	399,000	-	-	-	35,690
Chief Executive Officer	1996	443,750	-	-	-	-	28,845
Ronald W. Stepien	1998	318,416	240,233	-	37,700	-	17,240
President	1997	260,417	158,859	-	-	-	14,240
	1996	198,333	-	-	20,000	-	11,136
Wayne O. Smith (5)	1998	270,000	135,093	-	37,700	-	20,191
Executive Vice President	1997	250,000	50,783	-	20,000	-	-
David J. Levy	1998	220,000	178,685	-	15,000	-	10,127
Senior Vice President	1997	185,000	88,800	-	-	-	9,305
	1996	161,667	-	-	40,000	-	8,048
Beverly A. Wharton	1998	262,000	227,154	-	15,000	-	9,405
Senior Vice President	1997	240,000	129,600	-	-	-	8,990
	1996	218,333	-	-	-	-	8,050

(1) Includes retention bonus paid to Messrs. Stepien and Levy and Mrs. Wharton as discussed under the caption "Employment Agreements."

(2) Consists of options granted pursuant to the 1995 Long-Term Incentive Plan.

(3) Amounts for 1998 consist of (i) contributions by MidAmerican to defined contribution plans of $6,240 for each of Messrs. Bright, Stepien and Levy and Mrs. Wharton, and $6,143 for Mr. Smith, and (ii) $38,382, $11,000, $14,048, $3,887, and $3,165 for Messrs. Bright, Stepien, Smith and Levy, and Mrs. Wharton, respectively, for supplemental life insurance.

(4) As of December 31, 1998, Messrs. Bright, Stepien, Smith and Levy and Mrs. Wharton held 48,634, 18,210, 13,841, 11,119 and 16,637 restricted shares of the pre-merger MHC Common Stock (Pre-merger Common Stock), respectively, having a value of $1,307,039, $489,394, $371,977, $298,823, and $447,119, respectively, based on the closing price of Pre-merger Common Stock at December 31, 1998. The restricted stock was granted as performance shares pursuant to the 1995 Long-Term Incentive Plan. At the effective time of the merger transaction between MHC and CalEnergy, each outstanding grant of performance shares whether or not vested was converted into the right to receive $27.15 in cash, payable to the grantee without interest. Restricted stock grantees have the right to vote such shares and receive the dividends thereon. See the table of "Long-Term Incentive Plans-Awards in Last Fiscal Year."

(5) Mr. Smith joined MidAmerican on September 1, 1997.

Option Grants in Last Fiscal Year

Individual Grants(1)

Name	Number of Securities Underlying Options Granted (#)(2)	Percent of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Share) (2)(3)	Expiration Date	Grant Date Present Value ($)(4)
Stanley J. Bright	87,500	31%	25.25	8/13/08	280,875
Ronald W. Stepien	37,700	13%	25.25	8/13/08	121,017
Wayne O. Smith	37,700	13%	25.25	8/13/08	121,017
David J. Levy	15,000	5%	25.25	8/13/08	48,150
Beverly A. Wharton	15,000	5%	25.25	8/13/08	48,150

(1) The options shown in the foregoing table were granted pursuant to the 1995 Long-Term Incentive Plan. The aggregate number of shares attributable to the 1998 grants is 289,000.

(2) On the effective date of the merger transaction between MHC and CalEnergy, each outstanding option ("Original Option") to purchase shares of Pre-merger Common Stock, whether or not exercisable or vested, was assumed by Holdings and became an option to purchase the number of shares of Holdings Common Stock (a "Substitute Option") equal to the number of shares of Pre-merger Common Stock

subject to such Original Option multiplied by a conversion factor of 0.9603. Accordingly, Messrs. Bright, Stepien, Smith and Levy and Mrs. Wharton hold 84,026, 36,203, 36,203, 14,405, and 14,405 Substitute Options, respectively, granted in 1998. The per share exercise price for each Substitute Option granted in 1998 is $26.29. Each Substitute Option is subject, in all material respects, to the other terms and conditions of the Original Option to which it related.

(3) The exercise price (the price the recipient must pay to purchase each share of common stock that is the subject of the option) is equal to the fair market value of the Pre-merger Common Stock on the date of grant of the option. All options shown were granted on August 13, 1998 and reflect the closing price of Pre-merger Common Stock on that date. The exercise price to purchase each share of Holdings Common Stock that is the subject of each Substitute Option is equal to what was the fair market value of the Pre-merger Common Stock on the date of grant of the option divided by a conversion factor of 0.9603. Options may be exercised during a period that begins one year after the date of grant and ends ten years after the date of the grant. During the exercise period the recipient of the option may exercise 33% of the total options granted after one year from the date of the grant, 67% after two years from the date of the grant and all of the options after three years from the date of the grant. Options become fully exercisable in the event of termination of employment with the Company by reason of disability, retirement at age 55 and after five years of service with the Company or death.

(4) The Black-Scholes Option Pricing Model was used to determine the grant date present value of the stock options granted in 1998 by MHC to the named executive officers. Under the Black-Scholes Option Pricing Model, the grant date present value of the stock options referred to in the table was $3.21 per share.

The ultimate values of the options will depend on the future market price of Holdings Common Stock, which cannot be forecast with reasonable accuracy. The actual value, if any, an option holder will realize upon exercise of an option will depend on the excess of the market price of Holdings Common Stock over the exercise price on the date the option is exercised.

The material assumptions and adjustments incorporated in the model in estimating the value of the options include the following:

- An exercise price of the option of $25.25, equal to the fair market value of the underlying Pre-merger Common Stock on the date of the grant.
- An option term of ten years.
- An interest rate of 5.27% that represents the interest rate on a U.S. Treasury security on the date of the grant with a maturity date corresponding to that of the option term.
- Volatility of 17.52% which represents the historical volatility of Pre-merger Common Stock over a period commensurate with the option's expected life.
- Dividends at the rate of $1.20 per share representing the annualized quarterly dividends paid with respect to a share of Pre-merger Common Stock at the date of the grant.

Fiscal Year End Option Values

Name	Number of Securities Underlying Unexercised Options at Fiscal Year End (#)(1)(2) Exercisable/ Unexercisable	Value of Unexercised In-The-Money Options at Fiscal Year End ($)(3)(4) Exercisable/ Unexercisable
Stanley J. Bright	87,500 / 125,000	2,351,563 / 3,359,375
Ronald W. Stepien	15,000 / 62,700	403,125 / 1,685,063
Wayne O. Smith	6,667 / 51,033	179,176 / 1,371,512
David J. Levy	10,000 / 35,000	268,750 / 940,625
Beverly A. Wharton	30,000 / 30,000	806,250 / 806,250

(1) The options shown in the foregoing table were granted pursuant to the 1995 Long-Term Incentive Plan. Under the provisions of such plan, unless provided otherwise in an individual's award agreement, in the event of a change of control (which included the merger transaction between MHC and CalEnergy), all outstanding stock options became immediately exercisable in full. Stock options awarded in 1998 as disclosed under the table entitled "Option Grants in Last Fiscal Year" did not vest or become exercisable as a result of the merger, however.

(2) On March 12, 1999, Original Options were converted into Substitute Options as disclosed in footnote (2) to the table entitled "Option Grants in Last Fiscal Year."

(3) Represents the difference between the option exercise price and the closing market price for Pre-merger Common Stock on December 31, 1998. The in-the-money options at December 31, 1998, pertain to the market-priced option grants in July of 1995 with an exercise price of $14.50, the market-priced option grant in October of 1996 with an exercise price of $15.75 and the market-priced option grant in September of 1997 with an exercise price of $17.0625. The closing market price for Pre-merger Common Stock at the end of the 1998 fiscal year was $26.875. Options shown as unexercisable were conditionally granted.

(4) As disclosed in footnote (3) to the table entitled "Option Grants in Last Fiscal Year," the exercise price to purchase each share of Holdings Common Stock that is the subject of each Substitute Option is equal to what was the fair market value of the Pre-merger Common Stock on the date of grant of the Original Option divided by a conversion factor of 0.9603. Accordingly, the in-the-money options at December 31, 1998, pertain to the market-priced option grants in July of 1995 with an exercise price of $15.10, the market-priced option grants in October 1996 with an exercise price of $16.40 and the market-priced option grant in September of 1997 with an exercise price of $17.77.

Long-Term Incentive Plans--Awards in Last Fiscal Year

Name	Number of Shares, Units or Other Rights(#)(1)	Performance or Other Period until Maturation or Payout(2)
Stanley J. Bright	18,697	6/30/01
Ronald W. Stepien	8,512	6/30/01
Wayne O. Smith	7,343	6/30/01
David J. Levy	5,152	6/30/01
Beverly A. Wharton	6,235	6/30/01

(1) The restricted stock awards shown in the foregoing table were made pursuant to the 1995 Long-Term Incentive Plan and are subject to achievement of specific performance measures during a three-year performance period ending June 30, 2001. During this performance period, the holders of the restricted stock were entitled to receive the dividends on the restricted stock and vote the stock; however, the stock was not vested until the achievement of the performance measures. The restricted stock shown in the foregoing table would be granted if total shareholder return (as measured by growth in stock price and dividends) by the Company for this performance period is in the 68th to 74th percentiles of electric and combination gas and electric utilities included in the *Value Line Investment Survey*. The awards shown in the table represent grants at target, which is 75% of the maximum 100% award that would be paid if performance achieved the 75th percentile or higher. Minimum awards of 50% would be made if performance achieved was in the 60th to 67th percentiles. A participant whose employment was terminated due to retirement would receive a pro rata portion of such participant's total award based on the participant's service as an employee during the performance period or as otherwise determined by the Board of Directors in its sole discretion. The performance shares vest, however, in the event of termination of employment with MHC by reason of disability, death or a change in control as defined in the plan.

(2) Pursuant to the terms of the 1995 Long-Term Incentive Plan, in the event of a change of control (which included the merger transaction between MHC and CalEnergy), the restriction periods applicable to restricted stock awards under the plan lapsed, and the performance measures applicable to outstanding restricted stock awards and to any outstanding performance share awards were deemed to have been satisfied at the target level. Accordingly, at the effective time of the merger transaction between MHC and CalEnergy, each outstanding grant of performance shares whether or not vested was converted into the right to receive $27.15 in cash, payable to the grantee without interest.

Retirement Plans

MidAmerican maintains a Supplemental Retirement Plan for Designated Officers ("Supplemental Plan") to provide additional retirement benefits to designated participants, as determined by the Board of Directors. Messrs. Bright, Stepien, Smith and Levy and Mrs. Wharton are participants in the Supplemental Plan. The Supplemental Plan provides retirement benefits up to 65% of a participant's Total Cash Compensation in effect immediately prior to retirement. "Total Cash Compensation" means the highest amount payable to a participant as annual base salary during the five years immediately prior to retirement plus the average of the participant's last three years' awards under an annual incentive bonus program. Participants must be credited with five years service in order to be eligible to receive benefits under the Supplemental Plan. Each of the named executive officers has or will have five years of credited service with MidAmerican as of their respective normal retirement age and will be eligible to receive benefits under the Supplemental Plan. A participant who elects early retirement is entitled to reduced benefits under the Supplemental Plan. A survivor benefit is payable to a surviving spouse under the Supplemental Plan. Benefits from the Supplemental Plan will be paid out of general corporate funds; however, MidAmerican, through a rabbi trust, maintains life insurance on the participants in amounts expected to be sufficient to fund the after-tax cost of the projected benefits. The Supplemental Plan provides that in the event of a change of control (which, as defined therein, includes the merger transaction between MHC and CalEnergy), the rabbi trust shall become irrevocable and all participants were deemed to have at least five years of service. Deferred compensation is considered part of the salary covered by the Supplemental Plan.

The supplemental retirement benefit will be reduced by the amount of the participant's regular retirement benefit under the MidAmerican Energy Company Cash Balance Retirement Plan ("MidAmerican Retirement Plan") which became effective January 1, 1997, and by benefits under the Iowa-Illinois Gas and Electric Company Supplemental Retirement Plan ("Iowa-Illinois Supplemental Plan") or the Midwest Resources Inc. Supplemental Executive Retirement Plan ("MWR Supplemental Plan"), as applicable.

The MidAmerican Retirement Plan replaced retirement plans of predecessor companies, which were structured as traditional, defined benefit plans. Under the MidAmerican Retirement Plan, each participant has an account, for record keeping purposes only, to which credits are allocated each payroll period based upon a percentage of the participant's salary paid in the current pay period. In addition, all balances in the accounts of participants earn a fixed rate of interest which is credited annually. The interest rate for a particular year is based on the one-year U. S. Treasury Bill plus one percentage point. At retirement or other termination of employment, an amount equal to the vested balance then credited to the account is payable to the participant in the form of a lump sum or a form of annuity for the entire benefit under the MidAmerican Retirement Plan.

The Iowa-Illinois Supplemental Plan provides for retirement benefits equal to 65% of a participant's highest annual total cash compensation during the three years prior to retirement reduced by the participant's MidAmerican Retirement Plan benefit. A participant who elects early retirement is entitled to reduced benefits under the plan. A survivor benefit is payable to a surviving spouse. Deferred compensation is considered a part of salary covered by the Iowa-Illinois Supplemental Plan.

The MWR Supplemental Plan provides a participant, upon retirement at age 65 with thirty or more years of service, an annual retirement benefit equal to 60% of final average annual earnings which is defined as the average of salary plus bonus for the five highest consecutive years during the participant's employment with the Company. A participant who elects early retirement is entitled to reduced benefits under the plan. A survivor benefit is payable to a surviving spouse. Deferred compensation is considered a part of salary covered by the MWR Supplemental Plan.

The table below shows the estimated aggregate annual benefits payable under the Supplemental Plan and the MidAmerican Retirement Plan. The amounts exclude Social Security and are based on a straight life annuity and retirement at ages 55, 60 and 65. Federal law limits the amount of benefits payable to an individual through the tax qualified defined benefit and contribution plans, and benefits exceeding such limitation are payable under the Supplemental Plan.

Pension Plan Table

Total Cash Compensation at Retirement	Estimated Annual Benefit — Age at Retirement 55	60	65
$350,000	$192,500	$210,000	$227,500
400,000	220,000	240,000	260,000
450,000	247,500	270,000	292,500
500,000	275,000	300,000	325,000
550,000	302,500	330,000	357,500
600,000	330,000	360,000	390,000
650,000	357,500	390,000	422,500
700,000	385,000	420,000	455,000
750,000	412,500	450,000	487,500
800,000	440,000	480,000	520,000
850,000	467,500	510,000	552,500
900,000	495,000	540,000	585,000
950,000	522,500	570,000	617,500
1,000,000	550,000	600,000	650,000

Employment Agreements

Mr. Bright's employment agreement terminated on the effective date of the merger transaction between MHC and CalEnergy.

The MidAmerican Energy Company Severance Plan for Specified Officers (the "Severance Plan") became effective on November 1, 1996, and was amended on August 11, 1998. The Severance Plan provides for Severance Benefits (as defined hereinafter) to eligible participants in the event of a Qualifying Termination. Under the Severance Plan, a Qualifying Termination means a termination of employment of a Specified Officer either (i) involuntarily for any reason (except in the instance of a felony) (ii) voluntarily within 24 months after a Change in Control (defined hereinafter), should a Specified Officer's (a) job reporting location be changed by more than 30 miles, (b) total cash compensation opportunity be reduced or (c) duties and responsibilities be substantially reduced; or (iii) if a Change in Control occurs on or before December 31, 1999, voluntarily for any reason (other than to avoid an involuntary termination due to the commission of a felony) in the thirteenth calendar month following the date of a Change in Control.

Termination of employment due, in whole or in part, to the commission of a felony by a Specified Officer will not constitute a Qualifying Termination under the Severance Plan. All Severance Benefits for a Specified Officer charged with a felony will be suspended until such time as a felony charge is finally disposed. Conviction of a felony will be sufficient to disqualify the Specified Officer for Severance Benefits. A plea of no contest to a felony will not be sufficient to disqualify the Specified Officer for Severance Benefits.

A "Change in Control" means either (i) the closing date of the restructuring of MHC as a result of a merger, consolidation, takeover or reorganization unless at least 60% of the members of the board of directors of the company resulting from such merger, consolidation, takeover or reorganization were members of the incumbent Board of Directors of MHC; or (ii) any occurrence or any other event that is designated as being a "Change in Control" by a majority vote of the incumbent Board of Directors of MHC who are not also employees of MHC. The merger transaction between MHC and CalEnergy constituted a Change in Control for purposes of the Severance Plan.

"Severance Benefits" under the Severance Plan include: (i) an amount equal to two times the Specified Officer's highest Total Cash Compensation (defined as annual salary plus bonus) payable in a lump sum on the effective date of the Qualifying Termination; (ii) with the exception of MHC Pre-merger stock options granted in 1998, accelerated vesting of the Specified Officer's MHC Pre-merger stock options; (iii) payment of the Specified Officer's accrued vacation pay through the effective date of the Qualifying Termination, payable in a lump sum on such date; (iv) for certain Specified Officers, an additional 24 months of age or service credit under the Supplemental Plan; (v) continuation of the welfare benefits of health insurance, disability insurance and group term life insurance for a period of 24 full calendar months after the effective date of the Qualifying Termination; and (vi) standard outplacement services for a period of 24 full calendar months after the effective date of the Qualifying Termination (the cost of such services not to exceed 20% of the Specified Officer's Total Cash Compensation).

The Severance Plan also contains a restrictive covenant which prevents the Specified Officers from disclosing confidential information through the term of the Plan or for a period of one year following termination of employment, which ever occurs first. In addition, Specified Officers are eligibie to receive a cash "gross-up" payment equal to the federal excise tax, if any, due on the total severance package.

In consideration of the waiver and release of the right to receive any prior severance benefits under any prior severance plans, MidAmerican agreed to an irrevocable grant of three years additional service or age for the purpose of determining benefits under the Supplemental Plan and a phantom stock retention bonus equal to one year's annual base salary in effect on November 1, 1996 to vest in three equal installments on each January 1 commencing in 1998 and conditioned upon the continued employment of the eligible participant on such dates. Of the eligible participants who are named executive officers, Messrs. Stepien and Levy and Mrs. Wharton have agreed to the waiver and release.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Beneficial Owners

MHC owns 100 percent of the outstanding common stock of MidAmerican.

(b) Security Ownership of Management

The following table shows the beneficial ownership, reported to MidAmerican as of February 24, 1999, of MHC Common Stock (Pre-merger Common Stock) of each director, the chief executive officer and the four other most highly compensated executive officers and, as a group, directors and executive officers. No member of the group owned any of the preferred stock of MidAmerican. To MidAmerican's knowledge, at such date no single entity owned of record or beneficially more than five percent of any class of the outstanding voting securities of MHC.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (1)(8)	Percent of Class
Stanley J. Bright	145,077(2)	*
Ronald W. Stepien	30,453(3)	*
Wayne O. Smith	21,276(4)	*
David J. Levy	22,528(5)	*
Beverly A. Wharton	54,228(6)	*
Directors and executive officers as a group (8) persons	329,935(7)	*

* Less than one percent of the shares of Pre-merger Common Stock outstanding on February 24, 1999.

(1) Beneficial ownership of each of the shares of Pre-merger Common Stock listed in the foregoing table is comprised of sole voting power and sole investment power, unless otherwise noted.

(2) Includes 87,500 shares which Mr. Bright has the right to acquire within 60 days upon the exercise of stock options, 7,246 shares held in a Section 401(k) defined contribution plan as of December 31, 1998, and 1,697 shares beneficially owned by Mr. Bright and his spouse.

(3) Includes 15,000 shares which Mr. Stepien has the right to acquire within 60 days upon the exercise of stock options and 2,243 shares held in a Section 401(k) defined contribution plan as of December 31, 1998.

(4) Includes 6,667 shares which Mr. Smith has the right to acquire within 60 days upon the exercise of stock options and 768 shares held in a Section 401(k) defined contribution plan as of December 31, 1998.

(5) Includes 10,000 shares which Mr. Levy has the right to acquire within 60 days upon the exercise of stock options and 50 shares held in a Section 401(k) defined contribution plan as of December 31, 1998.

(6) Includes 30,000 shares which Mrs. Wharton has the right to acquire within 60 days upon the exercise of stock options, 1,496 shares held in a Section 401(k) defined contribution plan as of December 31, 1998, 767 shares beneficially owned by Mrs. Wharton and her spouse and 1,027 shares beneficially owned in a custodial account for a minor child.

(7) Includes shares which the executive officers have the right to acquire within 60 days upon the exercise of stock options, shares held in defined contribution plans as of December 31, 1998, and shares beneficially owned jointly with and individually by family members of directors and executive officers.

(8) At the effective time of the merger transaction between MHC and CalEnergy, each outstanding share of Pre-merger Common Stock was converted into the right to receive $27.15 in cash, payable without interest. In addition, at such time each unexercised option ("Original Option") to purchase shares of Pre-merger Common Stock became an option to purchase the number of shares of Holdings Common Stock equal to the number of shares of Pre-merger Common Stock subject to such Original Option multiplied by a conversion factor of 0.9603, and became immediately exercisable in full.

(c) Changes in Control

Refer to the discussion under the caption CALENERGY MERGER in Part I, Item 1(a).

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

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

(a)1. Financial Statements (included herein)

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

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

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

(a)3. Exhibits

See Exhibit Index on page 97.

(b) Reports on Form 8-K

None.

SELECTED FINANCIAL DATA

	December 31				
	1998	1997	1996	1995	1994
Income Statement Data: (e)					
Revenues	$1,707,189	$1,727,855	$1,674,353	$1,554,235	$1,513,675
Operating income (a)	280,920	287,309	366,174	304,638	268,222
Net income from continuing operations	115,593	125,941	165,132	132,489	121,145
Earnings on common from continuing operations	110,641	119,453	154,731	124,430	110,594
Balance Sheet Data:					
Total assets	$3,585,530	$3,542,307	$3,774,653	$3,976,201	$3,879,847
Long-term debt (b)	930,966	1,044,663	1,136,515	1,110,525	1,109,617
Power purchase obligation (b)	83,127	97,504	111,222	125,729	137,809
Short-term borrowings	206,221	122,500	161,700	184,800	124,500
Preferred stock:					
Not subject to mandatory redemption	31,759	31,763	31,769	89,945	89,955
Subject to mandatory redemption (c)	150,000	150,000	150,000	50,000	50,000
Common stock equity (d)	972,278	985,744	986,825	1,225,715	1,204,112

(a) MidAmerican's 1995 operating income includes $31.9 million of costs related to a restructuring and work force reduction plan implemented and completed in 1995.

(b) Includes amounts due within one year.

(c) Post-1995 years include MidAmerican-obligated mandatorily redeemable preferred securities of subsidiary trust holding solely MidAmerican junior subordinated debentures.

(d) 1996 reflects distribution of the capital stock of MidAmerican Capital Company and Midwest Capital Group, Inc. to Holdings.

(e) Refer to Operating Activities and Other Matters in MD&A for discussion of industry restructuring and rate matters.

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

INTRODUCTION

MidAmerican Energy Company (MidAmerican) is a public utility with electric and natural gas operations and is the principal subsidiary of MHC Inc. (MHC). MHC is headquartered in Des Moines, Iowa, and has the following nonregulated subsidiaries: MidAmerican Capital Company, MidAmerican Realty Services Company and Midwest Capital Group, Inc. MHC is a wholly owned subsidiary of MidAmerican Funding, LLC, which is wholly owned subsidiary of MidAmerican Energy Holdings Company.

The current corporate structure is the result of the merger transaction completed on March 12, 1999, involving MHC (formerly MidAmerican Energy Holdings Company) and CalEnergy Company, Inc. (CalEnergy). CalEnergy, through a reincorporation transaction, was renamed MidAmerican Energy Holdings Company (Holdings). Holdings is an exempt public utility holding company headquartered in Des Moines. References to MHC regarding information, events or transactions prior to the merger relate to the former MidAmerican Energy Holdings Company.

MidAmerican was formed on July 1, 1995, as a result of the merger of Iowa-Illinois Gas and Electric Company, Midwest Resources Inc. (Resources) and Midwest Power Systems Inc., the utility subsidiary of Resources. Effective December 1, 1996, MHC became the parent company of MidAmerican, MidAmerican Capital and Midwest Capital. Prior to December 1, 1996, MidAmerican Capital and Midwest Capital were subsidiaries of MidAmerican. Accordingly, the consolidated financial statements of MidAmerican present amounts related to MidAmerican Capital and Midwest Capital as discontinued operations in 1996 to reflect their transfer to MHC.

FORWARD-LOOKING STATEMENTS

From time to time, MidAmerican may make forward-looking statements within the meaning of the federal securities laws that involve judgments, assumptions and other uncertainties beyond its control. These forward-looking statements may include, among others, statements concerning revenue and cost trends, cost recovery, cost reduction strategies and anticipated outcomes, pricing strategies, changes in the utility industry, planned capital expenditures, financing needs and availability, statements of MidAmerican's expectations, beliefs, future plans and strategies, anticipated events or trends and similar comments concerning matters that are not historical facts. Investors and other users of the forward-looking statements are cautioned that such statements are not a guarantee of future performance of MidAmerican and that such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such statements. Some, but not all, of the risks and uncertainties include weather effects on sales and revenues, fuel prices, fuel transportation, competitive factors, general economic conditions in MidAmerican's service territory, interest rates, inflation and federal and state regulatory actions.

RESULTS OF OPERATIONS

The following table provides a summary of the earnings contributions of MidAmerican's operations for each of the periods presented:

	1998	1997	1996
		(In millions)	
Earnings on Common Stock			
Continuing operations	$110.6	$119.5	$154.7
Discontinued operations *	-	-	(10.1)
Consolidated earnings	$110.6	$119.5	$144.6

* 1996 includes the net losses of MidAmerican Capital and Midwest Capital prior to their transfer to MHC on December 1, 1996.

EARNINGS DISCUSSION

Below is a list of some of the significant factors resulting in the variances in earnings. The amounts represent the variance between the respective years. Therefore, a factor that had a negative impact on earnings in both years, but which had less of a negative impact in 1998 than in 1997, would be displayed as a positive factor for comparison purposes.

In the second half of 1997, MidAmerican began charging to expense additional amortization of deferred energy efficiency costs, ongoing energy efficiency costs and certain Cooper Nuclear Station costs consistent with ratemaking treatment. These items significantly increased other operating expenses. In conjunction with expensing these items, MidAmerican began recovery of these costs from its customers, which resulted in additional revenues. For purposes of the following table, the expenses are netted against the related revenues. As a result, the "Other O&M expenses" line below does not reflect the impact of these expenses, and the net effect of the additional revenues and expenses is included in the amounts on the "Other factors" line under gross margin.

	Approximate Net Income Variances For Years Ended December 31	
	1998 vs 1997	1997 vs 1996
	(In millions)	
Variation in gross margin due to -		
Weather effect	$ (8.2)	$ (2.9)
Customer growth & other sales growth	15.2	17.3
Off-system sales	8.4	1.9
Electric retail prices	(10.0)	(12.6)
Other factors	5.5	1.9
Nuclear O&M expenses	0.3	(4.7)
1996 inventory adjustment	-	(3.7)
Storm repair expense	(1.1)	(1.2)
Other O&M expenses	(6.3)	(34.0)
Depreciation & amortization	(6.9)	(3.5)
Utility nonregulated activities	(2.0)	0.3
Recognition of deferred energy efficiency income	(2.8)	1.0
1996 merger proposal costs	-	5.1
Discontinued operations	-	10.1

Although utility earnings for 1998 were lower than in the prior year, a reduction was anticipated because of the electric pricing settlements achieved in 1996 and 1997 in Iowa and Illinois. Warmer-than-normal temperatures during the heating season also had a negative impact on 1998 earnings. Growth in the number of customers and in other sales factors contributed positively to earnings in 1998. Additionally, MidAmerican's successful performance in the non-retail (off-system) energy market helped offset decreases from weather and reductions in electric retail prices. Utility operating expenses increased as MidAmerican continued strengthening its customer service and marketing capabilities and adding to its information technology resources.

Discontinued Operations -

MidAmerican received $15.3 million in cash in 1996 as final settlement for the sale of a former coal mining subsidiary which was reflected as discontinued operations in 1982 by one of MidAmerican's predecessors. The final settlement included reacquisition by the buyer of preferred equity issued to MidAmerican and the settlement of reclamation reserves. MidAmerican recorded an after-tax loss on disposal of $3.3 million for the transaction in September 1996. This transaction is included in discontinued operations in the consolidated financial statements of MidAmerican. Discontinued operations of MidAmerican includes the net earnings/loss of MidAmerican Capital and Midwest Capital for periods prior to their December 1, 1996, transfer to MHC.

REGULATED GROSS MARGIN

Regulated Electric Gross Margin:

	1998	1997	1996
		(In millions)	
Operating revenues	$1,170	$1,126	$1,099
Cost of fuel, energy and capacity	228	236	234
Electric gross margin	$ 942	$ 890	$ 865

1998 vs 1997 -

Electric gross margin improved $52 million in 1998 compared to 1997. An increase in revenues from energy efficiency cost recovery and the Cooper Tracker (discussed below) accounted for $26.1 million and $2.5 million, respectively, of the increase in margin. Increases in revenues from these factors are substantially offset by increases in other operating expenses.

Regarding the increase in energy efficiency revenues, on September 29, 1997, MidAmerican began recovering from customers its remaining deferred energy efficiency costs and current, ongoing energy efficiency costs. Deferred energy efficiency costs are costs previously incurred by MidAmerican which, in accordance with rate treatment, were not charged to expense until recovery from customers began. Recovery of deferred energy efficiency costs occurs over a four-year period from the date collection begins. Approximately $44.4 million of MidAmerican's 1998 electric revenues were from the recovery of energy efficiency program costs compared to $18.3 million in 1997. Collection of deferred energy efficiency costs will decrease starting in 1999 as various recovery periods are completed. Refer to the discussion under Energy Efficiency in the OPERATING ACTIVITIES AND OTHER MATTERS section of MD&A for further discussion.

The Cooper Tracker allows MidAmerican to collect on a current basis the Iowa portion of expenses for Cooper Nuclear Station (Cooper) capital improvement advances. Prior to the Cooper Tracker, which began in July 1997, capital improvement advances were capitalized when incurred and amortized over future periods in accordance with rate treatment.

Electric margin also improved due to an increase in sales volume. In total, electric retail sales for 1998 increased 2.7% compared to 1997. Moderate but steady growth in the number of customers increased electric gross margin by $8.6 million compared to 1997. In addition, an increase in sales that are not dependent on weather contributed $15.5 million to the increase. When compared to normal, the impact of temperatures resulted in an estimated $2 million reduction of electric gross margin for 1998 compared to a $4 million reduction in 1997 – or, a $2 million increase in margin for 1998 compared to 1997. Temperatures in 1998 were warmer-than-normal during the heating seasons and hotter-than-normal during the cooling season.

As anticipated, the effect of rate proceedings in 1996 and 1997 reduced electric gross margin for 1998 compared to 1997. Revenues in 1998 reflect the full-year effect of a June 1997 price reduction for Illinois customers and a small price reduction in August 1998 related to Illinois utility industry restructuring. Prices for Iowa residential customers were reduced $10 million annually in July 1997 and $5 million annually in June 1998. Since July 1997, MidAmerican has reduced prices a total of approximately $10 million annually for its Iowa commercial and industrial customers. The commercial and industrial price reductions were achieved through negotiated contracts, a pilot project and tariffed rate reductions. The combined effect of price reductions decreased revenues and electric margin by $17.0 million for 1998 compared to 1997.

Prior to July 11, 1997, MidAmerican was allowed to recover its energy costs from most of its electric utility customers through energy adjustment clauses (EACs) included in revenues. Effective July 11, 1997, the EAC was eliminated for Iowa customers as part of MidAmerican's Iowa pricing plan. Previously, variations in energy costs did not affect gross margin or net income due to corresponding changes in revenues collected through the EACs. With the elimination of the Iowa EAC, fluctuations in energy costs now may have an impact on gross margin and net income.

Under the Iowa pricing settlement, revenues from off-system sales are considered a component of total energy costs. Accordingly, electric margin in 1998 reflects MidAmerican's strong performance in the off-system market relative to 1997. Margins on off-system sales, which account for most of MidAmerican's sales for resale, contributed $14.2 million more to gross margin in 1998 than in 1997. Though related sales volumes decreased 11.5% compared to the 1997 level, MidAmerican obtained improved margins per unit for the 1998 sales. Refer to comments on the energy market under "Industry Evolution" in the OPERATING ACTIVITIES AND OTHER MATTERS section of MD&A.

1997 vs. 1996 -

Electric margin for 1997 increased $25 million compared to 1996. An increase in revenues from energy efficiency cost recovery accounted for $9.0 million of the increase in margin while revenues from the Cooper Tracker totaled $3.9 million in 1997, the first year for that collection mechanism.

Retail sales of electricity increased 2.6% compared to 1996 sales. A moderate but steady growth in the number of customers contributed $11.1 million to the increase in electric gross margin. Compared to 1996, sales and gross margin improved due to the impact of temperatures in the Company's service territory. Although temperatures overall were milder than normal in both years, comparatively, margin for 1997 increased $5 million over 1996 margin due to the effect of weather. When compared to normal, the impact of temperatures resulted in a $4 million reduction of electric gross margin in 1997 compared to a $9 million reduction in the 1996 margin. Additionally, revenues and margin increased due to an improvement in sales not dependent on weather.

As discussed above, the Iowa EAC was eliminated in July 1997. Energy costs per unit for the remainder of 1997 were below the amount recovered in rates under the Iowa pricing plan and resulted in an increase to gross margin. Margins on off-system sales contributed $3.2 million more to electric margin in 1997 than in 1996. Additionally, the 1997 electric margin benefited from a $6.2 million increase in transmission revenues.

In total, price reductions decreased electric gross margin by $21.4 million in 1997 compared to 1996. In addition to the price reductions discussed above, MidAmerican reduced prices for its Illinois customers by $13.1 million annually on November 3, 1996, in conjunction with a rate reduction proceeding. In Iowa, MidAmerican reduced its electric retail prices by $8.7 million effective November 1, 1996. This was the first reduction related to MidAmerican's pricing plan filed in June 1996. Refer to "Rate Matters" in LIQUIDITY AND CAPITAL RESOURCES later in MD&A for further information regarding prices in Iowa.

Regulated Gas Gross Margin:

	1998	1997	1996
		(In millions)	
Operating revenues	$ 430	$ 536	$ 537
Cost of gas sold	243	346	345
Gas gross margin	$ 187	$ 190	$ 192

1998 vs. 1997 -

MidAmerican's regulated gas revenues include purchase gas adjustment clauses (PGAs) through which MidAmerican is allowed to recover the cost of gas sold from most of its gas utility customers. Consequently, fluctuations in the cost of gas sold do not affect gross margin or net income because revenues reflect comparable fluctuations in revenues from PGAs. A decrease in the 1998 per-unit cost of gas compared to 1997 reduced revenues and cost of gas sold by approximately $59 million. MidAmerican recently made a filing with the IUB that would modify the use of the PGA beginning May 1, 2000. Refer to Small Volume Gas Transportation under the OPERATING ACTIVITIES AND OTHER MATTERS section of MD&A for further discussion.

Recovery of gas energy efficiency costs resulted in a $9.2 million increase in revenues and gross margin for 1998 compared to 1997. As discussed in the Electric Gross Margin section, on September 29, 1997, MidAmerican began recovery of its deferred energy efficiency costs that had not previously been approved for recovery. Approximately $17.5 million of MidAmerican's 1998 gas revenues were from the recovery of energy efficiency program costs compared to $8.3 million in 1997. Again, increases in revenues from energy efficiency cost recovery are substantially offset by corresponding increases in other operating expenses.

Unusually mild temperatures during the 1998 heating seasons resulted in a decrease in gas margin for 1998. Temperatures in 1998 were 15.6% warmer than normal, reducing gas gross margin in 1998 by an estimated $18 million compared to normal. In 1997, temperatures were closer to normal, resulting in a reduction of the 1997 margin of only $2 million. Comparing the two years then, gas margin decreased $16 million in 1998 due to the variation in temperatures. Customer growth, which contributed $1.6 million to gas margin in 1998, and other sales factors helped mitigate the negative effect of weather on the 1998 margin. In total, retail sales of natural gas in 1998 decreased 12.7% compared to 1997.

1997 vs. 1996 -

Gas gross margin for 1997 decreased $2 million compared to 1996. On a comparative basis, the 1997 gas margin decreased an estimated $10 million due to the effect of weather. Temperatures in 1997 were close to normal, resulting in a $2 million reduction in margin, while temperatures in 1996 were 10.1% colder than normal, contributing $8 million to the 1996 gas gross margin. The decrease in gross margin due to weather was partially offset by a $2.3 million increase from growth in the number of retail customers. In total, retail sales of natural gas in 1997 decreased 7.1% compared to 1996 sales.

Revenues from energy efficiency cost recovery contributed $3.4 million more to gas margin in 1997 than in 1996. Revenues and cost of gas sold increased approximately $25 million in 1997 due to an increase in the average cost of gas per unit compared to 1996.

REGULATED OPERATING EXPENSES

Other Operating Expenses -

Regulated other operating expenses increased $31.1 million for 1998 compared to 1997. An increase in energy efficiency costs accounted for $31.6 million of the increase in other operating expenses compared to 1997. Refer to the Electric Gross Margin section for further comments on energy efficiency costs.

Operating expenses related to Cooper increased due in part to the ratemaking treatment for Cooper capital improvements, as discussed in the Electric Gross Margin section. Cooper capital improvement advances are now expensed when incurred. MidAmerican is recovering the Iowa portion of these costs through the Cooper Tracker, while recovery in Illinois is included in base rates. This change accounted for a $1.7 million increase in nuclear operations costs compared to 1997. Excluding those costs, nuclear operations expenses decreased $8.2 million for 1998 compared to 1997 due to an extended outage at the Quad Cities Station.

MidAmerican continued its focus on customer service and reliability during 1998. Further emphasis on customer service operations and marketing-related efforts, resulted in increases in customer service costs, IT consulting costs, advertising costs and other related expenses. Increases in such expenses accounted for a majority of the remaining increase. The impact of these items was partially offset by a decrease in employee benefits expenses.

Regulated other operating expenses increased $79.6 million in 1997 compared to 1996. Nuclear operating costs increased $14.0 million compared to 1996. Of that increase, $4.5 million related to the change in rate treatment of Cooper capital improvement advances. An increase in energy efficiency costs, including amortization of historical costs and charging expense for current costs, accounted for $13.1 million of the increase in other operating expenses.

MidAmerican's efforts to improve its customer service and reliability resulted in increases in consulting costs, advertising and other related expenses. In addition, 1997 reflects increases in uncorrectable accounts expense, employee incentive compensation and certain employee benefits expenses. Other operating expenses for 1997 also reflect an increase in transmission wheeling expense due in part to changes required by FERC Order Nos. 888 and 889.

Maintenance -

Maintenance expenses increased $9.8 million in 1998 compared to 1997. An increase in maintenance costs at the Quad Cities Station accounted for $8.0 million of the total. Additionally, MidAmerican incurred repair costs for storms in June 1998, totaling $3.8 million, compared to $2.0 million in 1997 for costs related to a snowstorm in October of that year.

Maintenance expenses increased $9.5 million for 1997 compared to 1996. The main cause of the increase was an adjustment in 1996 to align power plant inventory accounting of predecessor companies which reduced 1996 expense by $6.2 million. Restoration costs for the October 1997 snowstorm also contributed to the increase, while maintenance expenses at the Quad Cities Station decreased $2.5 million in 1997 compared to 1996.

Depreciation and Amortization -

The increase in 1998 expense compared to 1997 is due to additional decommissioning funding for Quad Cities Station, an increase in utility plant and regulatory accruals.

Property and Other Taxes -

Deregulation of the Illinois electric utility industry resulted in changes in the way certain taxes are assessed in Illinois. The changes resulted in a decrease in MidAmerican's tax expense for 1998 compared to 1997. One of the taxes is now assessed directly on the energy consumer instead of through the utility. Accordingly, MidAmerican's electric revenues reflect an equal reduction in 1998. Property taxes increased $8.8 million in 1997 compared to 1996 due primarily to an increase in the assessed value for Iowa property tax purposes.

NONREGULATED OPERATING REVENUES AND OPERATING EXPENSES

MidAmerican's income statements now reflect its nonregulated operations in the determination of Operating Income. Previously, these activities were reflected in Other, Net on the Consolidated Statements Income. All prior year amounts are reclassified to be consistent with the current year's presentation. MidAmerican has increased its efforts in nonregulated operations in preparation for a competitive utility industry. Additionally, beginning in May 1998, gas marketing contracts previously serviced by a nonregulated affiliate of MidAmerican were renewed as MidAmerican contracts.

Revenues and Cost of Sales -

Revenues from wholesale natural gas marketing operations increased $32.5 million in 1998 compared to 1997 due to an increase of 18 million MMBtus (88%) in related sales volumes. A decrease in the average price per unit, reflective of a lower cost of gas per unit, partially offset the effect of increased sales. Cost of sales related to natural gas marketing for 1998 reflects the increase in sales and the decrease in the average cost of gas per unit. Total gross margin (total price less cost of gas) on nonregulated natural gas sales was unchanged compared to 1997.

Other activities contributing to the increase in nonregulated revenues for 1998 relate to work for other utilities and work beyond the meter for customers. In addition, the 1998 amount includes revenues of CBEC Railway, a subsidiary of MidAmerican that operates rail services on a section of railroad track it owns. MidAmerican's revenues in 1998 and 1997 also include pre-tax income from awards for successful performance under its incentive gas procurement program. Under the program, if MidAmerican's cost of gas varies from an established reference price range, then the savings or cost is shared between customers and shareholders. The awards totaled $4.3 million and $4.9 million in 1998 and 1997, respectively.

For the comparison of 1997 with 1996, revenues from wholesale natural gas marketing operations increased $23.1 million due to an increase in sales volumes of 7 million MMBtus (51%). In addition, the average price per unit increased, reflecting an increase in the average cost of gas per unit. Cost of sales related to natural gas marketing for 1997 reflects the increases in sales and the average cost of gas per unit. Total gross margin on nonregulated natural gas sales decreased $0.3 million compared to 1996.

Nonregulated revenues for 1997 also reflect a $2.2 million increase compared to 1996 in MidAmerican's award for performance under its incentive gas procurement program.

Other Nonregulated Operating Expenses -

Other operating expenses increased in 1998 compared to 1997 due to costs related to work for other utilities, costs of work beyond the meter for MidAmerican customers, costs of appliance services and costs of initiatives for new products and services in preparation for deregulation.

The increase in 1997 costs compared to 1996 relates to appliance services and initiatives for new products and services.

NON-OPERATING INCOME AND INTEREST EXPENSE

Interest and Dividend Income-

In December 1997, MidAmerican sold its billed accounts receivable. A portion of the consideration for the sale was a subordinated note from the purchaser. Interest income on that note caused the increase in 1998 compared to 1997. Refer to FINANCING ACTIVITIES, PLANS AND AVAILABILITY later in MD&A for discussion of the sale.

Other, Net -

Other, Net, for 1998 and 1997 reflects the discount on sold accounts receivable, net of a fee for servicing the accounts. The net discount reduced Other, Net by $7.0 million and $0.3 million in 1998 and 1997, respectively.

In September 1997, MidAmerican received a $15 million cash payment from Nebraska Public Power District (NPPD) as settlement for a lawsuit filed by MidAmerican against NPPD. Approximately $12 million was refunded to MidAmerican's customers. The remaining amount was retained by MidAmerican for recovery of litigation costs in the lawsuit. Other, Net for 1997 reflects $2.2 million of pre-tax income for recovery of litigation costs incurred in prior years.

In addition, Other, Net includes the recognition of deferred income from energy efficiency programs totaling $0.2 million, $5.0 million and $3.3 million for 1998, 1997 and 1996, respectively. As discussed in the gross margin sections, MidAmerican started recovery of its remaining deferred energy efficiency costs in September 1997. Accordingly, carrying costs for, or return on, deferred balances are now being collected from customers and are reflected in revenues.

In 1996, MidAmerican recorded an initial pre-tax gain of $3.2 million on its sale of the certain storage gas supplies. MidAmerican recorded an additional $0.8 million gain in the second quarter of 1997 after receiving favorable treatment on the transaction from the Iowa Utilities Board (IUB).

Other, Net for 1997 reflects a net loss on reacquired long-term debt of $0.9 million compared to a $1.1 million net gain in 1996.

Other, Net for 1996 includes approximately $8.7 million of expenses for costs incurred by MidAmerican for its merger proposal to IES Industries Inc. in 1996.

Fixed Charges -

During 1998, MidAmerican reduced its long-term debt through maturities and refinancing. Refer to FINANCING ACTIVITIES, PLANS AND AVAILABILITY later in MD&A for more details.

A decrease in the average amount of commercial paper outstanding in 1997 compared to 1996 resulted in a decrease in other interest expense for 1997. The decrease was partially offset by interest expense related to IRS settlements in 1997.

Preferred securities of MidAmerican's subsidiary trust were issued in December 1996. MidAmerican preferred shares were reacquired at that time, resulting in the decrease in preferred dividends. Preferred dividends include net gains or losses on the reacquisition of MidAmerican preferred shares. Net losses on reacquisitions totaled $1.4 million and $1.6 million for 1997 and 1996, respectively.

LIQUIDITY AND CAPITAL RESOURCES

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

As reflected on the Consolidated Statements of Cash Flows, MidAmerican's net cash provided from operating activities was $381 million, $310 million and $327 million in 1998, 1997 and 1996, respectively.

INVESTING ACTIVITIES AND PLANS

Utility Construction Expenditures -

MidAmerican's primary need for capital is utility construction expenditures. For 1998, utility construction expenditures totaled $193 million, including allowance for funds used during construction (AFUDC) and Quad Cities Station nuclear fuel purchases. All such expenditures were met with cash generated from utility operations, net of dividends.

Beginning with July 1997 expenditures, advances for Cooper capital improvements are no longer included in utility construction expenditures but are expensed when incurred and reflected in other operating expenses. Previously, MidAmerican capitalized these expenses in accordance with then applicable rate regulation. As part of the 1997 settlement of MidAmerican's electric pricing proposal, MidAmerican is recovering on a current basis the Iowa portion of expenses for Cooper capital improvements advances from its Iowa electric customers through a tracking mechanism.

Forecasted utility construction expenditures, including AFUDC, for 1999 are $194 million and $698 million for 2000 through 2003. Capital expenditure needs are reviewed regularly by MidAmerican's management and may change significantly as a result of such reviews. MidAmerican presently expects that all utility construction expenditures for the next five years will be met with cash generated from utility operations, net of dividends. The actual level of cash generated from utility operations is affected by, among other things, economic conditions in the utility service territory, weather and federal and state regulatory actions.

Deferred Energy Efficiency Expenditures -

MidAmerican stopped reflecting costs of its energy efficiency programs as an investing activity on its Consolidated Statement of Cash Flows following the IUB's approval in September 1997 of the current recovery of ongoing energy efficiency program costs. Under prior energy efficiency regulations, program costs were deferred for several years prior to beginning their recovery over a four-year period, and accordingly, MidAmerican reflected them as an investing activity.

Nuclear Decommissioning -

Each owner of a nuclear facility is required to set aside funds to provide for the cost of decommissioning its nuclear facility. In general, decommissioning of a nuclear facility means to safely remove the facility from service and restore the property to a condition allowing unrestricted use by the operator. Based on information presently available, MidAmerican expects to contribute approximately $50 million during the period 1999 through 2003 to an external trust established for the investment of funds for decommissioning the Quad Cities Station. Approximately 60% of the trust's funds are now invested in domestic corporate debt and common equity securities. The remainder is invested in investment grade municipal and U.S. Treasury bonds.

In addition, MidAmerican makes payments to NPPD related to decommissioning Cooper. These payments are reflected in other operating expenses in the Consolidated Statements of Income. NPPD estimates call for MidAmerican to pay approximately $57 million to NPPD for Cooper decommissioning during the period 1999 through 2003. NPPD invests the funds predominately in U.S. Treasury Bonds. MidAmerican'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. In July 1997, NPPD filed a lawsuit in United States District Court for the District of Nebraska naming MidAmerican as the defendant and seeking a declaration of MidAmerican's rights and obligations in connection with Cooper nuclear decommissioning funding.

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

FINANCING ACTIVITIES, PLANS AND AVAILABILITY

MidAmerican 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 March 15, 1999, MidAmerican had a $250 million revolving credit facility agreement and a $5 million bank line of credit. MidAmerican's commercial paper borrowings are supported by the revolving credit facility and the line of credit. MidAmerican also has a revolving credit facility which is dedicated to provide liquidity for its obligations under outstanding pollution control revenue bonds that are periodically remarketed.

In 1997, MidAmerican entered into a revolving agreement, which expires in 2002, to sell all of its right, title and interest in the majority of its billed accounts receivable to MidAmerican Energy Funding Corporation (Funding Corp.), a special purpose entity established to purchase accounts receivable from MidAmerican. Funding Corp. in turn sold receivable interests to outside investors. In consideration for the sale, MidAmerican received $70 million in cash and the remaining balance in the form of a subordinated note from Funding Corp. In 1998, the revolving balance was reduced to $60 million due to a decline in accounts receivable available for sale. The agreement is structured as a true sale, as determined by Statement of Financial Accounting Standards (SFAS) No. 125, under which the creditors of Funding Corp. will be entitled to be satisfied out of the assets of Funding Corp. prior to any value being returned to MidAmerican or its creditors. Therefore, the accounts receivable sold are not reflected on MidAmerican's Consolidated Balance Sheets. As of December 31, 1998, $97.4 million of accounts receivable, net of reserves, was sold under the agreement.

The following table displays the 1998 long-term debt retirements and issuances of MidAmerican. Repayment of the February and October maturities was funded with short-term debt and cash from operations.

Date	Issue	Principal	Transaction
2-1-98	6.25% First Mortgage Bonds, due 2-1-98	$ 75,000,000	Matured
6-19-98	6.375% Medium Term Notes due 6-15-06	160,000,000	Issued
7-15-98	8.125% General Mortgage Bonds due 2-1-03	100,000,000	Called at 105.23
7-15-98	8% General Mortgage Bonds due 2-15-22	50,000,000	Called at 105.13
10-15-98	5.05% First Mortgage Bonds due 10-15-98	49,100,000	Matured

As of December 31, 1998, MidAmerican had $381 million of long-term debt maturities and sinking fund requirements for 1999 through 2003.

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

Credit Ratings -

MidAmerican's access to external capital and its cost of capital are influenced by the credit ratings of its securities. MidAmerican's credit ratings as of March 12, 1999, are shown in the table below. The ratings reflect only the views of such rating agencies, and each rating should be evaluated independently of any other rating. Generally, rating agencies base their ratings on information furnished to them by the issuing company and on investigation, studies and assumptions by the rating agencies. There is no assurance that any particular rating will continue for any given period of time or that it will not be changed or withdrawn entirely if in the judgment of the rating agency circumstances so warrant. Such ratings are not a recommendation to buy, sell or hold securities.

	Duff & Phelps	Moody's Investors Service	Standard & Poor's
Mortgage Bonds	AA-	A2	A+
Unsecured Medium-Term Notes	A+	A3	A-
Preferred Stocks	A	a3	BBB+
Commercial Paper	N/A	P-1	A-1

The following is a summary of the meanings of the ratings shown above and the relative rank of MidAmerican's rating within each agency's classification system.

Duff & Phelps top four bond/note ratings (AAA, AA, A, BBB) are generally considered "investment grade." Bonds rated "AA" possess a high credit quality, and protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions. Duff & Phelps may use a plus (+) or minus (-) sign after ratings to designate the relative position of security within the rating category. Moody's top four bond/note ratings (Aaa, Aa, A and Baa) are generally considered "investment grade." Obligations which are rated "A" possess many favorable investment attributes and are considered as upper-medium-grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future. A numerical modifier ranks the security within the category with a "1" indicating the high end, a "2" indicating the mid-range and a "3" indicating the low end of the category. Standard & Poor's top four bond/note ratings (AAA, AA, A and BBB) are considered "investment grade". Debt rated "A" has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated debt. Standard & Poor's may use a plus (+) or minus (-) sign after ratings to designate the relative position of a security within the rating category.

Ratings of preferred stocks are an indication of a company's ability to pay the preferred dividend and any sinking fund obligations on a timely basis. Duff & Phelps top four preferred stock ratings categories are the same as for bonds and notes. A rating of "A" indicates protection factors are average but adequate. Risk factors are more variable and greater in periods of economic stress. Moody's top four preferred stock ratings (aaa, aa, a and baa) are generally considered "investment grade". Moody's "a" rating is considered to be an upper medium grade preferred stock. Earnings and asset protection are expected to be maintained at adequate levels in the foreseeable future. Standard & Poor's top four preferred stock ratings (AAA, AA, A and BBB) are considered "investment grade". Standard & Poor's "BBB" rating indicates adequate capacity to meet payment obligations. Whereas it normally exhibits adequate asset protection, it is susceptible to weakened payment capacities during adverse economic conditions than higher rated categories.

Moody's top three commercial paper ratings (P-1, P-2 and P-3) are generally considered "investment grade". Issuers rated "P-1" have a superior ability for repayment of senior short-term debt obligations and repayment ability is often evidenced by a conservative structure, broad margins in earnings coverage of fixed financial charges and well established access to a range of financial markets and assured sources of alternate liquidity. Standard & Poor's commercial paper ratings are a current assessment of the likelihood of timely payment of debt having an original maturity less than 365 days. The top three Standard & Poor's commercial paper ratings (A-1, A-2 and A-3) are considered "investment grade". Issues rated "A-1" indicate that the degree of safety regarding timely payment is either overwhelming or very strong. Those issues determined to possess overwhelming safety are denoted with a plus (+) sign designation.

OPERATING ACTIVITIES AND OTHER MATTERS

Industry Evolution -

The utility industry continues to evolve into an increasingly competitive environment. In virtually every region of the country, legislative and regulatory actions are being taken which result in customers having more choices in their energy decisions.

In the electric industry, the traditional vertical integration of generation, delivery and marketing is being unbundled, with the generation and marketing functions being deregulated. For local gas distribution businesses, the supply, local delivery and marketing functions are similarly being separated and opened to competitors for all classes of customers. While retail electric competition is presently not permitted in Iowa, MidAmerican's primary market, legislation is being considered in the current legislative session to do so. Deregulation of the gas supply function related to small volume customers is currently being considered by the IUB. MidAmerican is actively participating in the legislative and regulatory processes shaping the new environment in which its businesses will operate.

The generation and retail portions of MidAmerican's electric business will be most affected by competition. The introduction of competition in the wholesale market has resulted in a proliferation of power marketers and a substantial increase in market activity. As retail choice evolves, competition from other traditional utilities, power marketers and self-generation could put pressure on utility margins.

During the transition to full competition, increased volatility in the marketplace can be expected, as evidenced by the extreme price spikes for bulk power encountered in the Midwest in June 1998. Although the extreme prices did not have a material impact on MidAmerican's results, such volatility underscores the increased risk and opportunity associated with the energy business as it transitions to competition.

MidAmerican is positioning itself to succeed in a competitive environment in a number of ways including working to reduce energy costs, developing new energy-related products and services, and entering into ventures with others to strengthen its relationship with existing and prospective customers. MidAmerican's association with its real estate brokerage affiliate is an example how it is positioning to expand market share when retail competition is allowed.

Legislative and Regulatory Evolution -

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

The law required a 15% electric rate reduction for all Illinois residential customers in 1998. To satisfy its obligation, MidAmerican received credit for its 1996 and 1997 Illinois rate reductions, totaling \$15.5 million, and reduced rates an additional \$0.9 million annually, effective August 1, 1998. MidAmerican is exempted from the requirement to join an independent system operator (ISO) or to form an in-state ISO.

In addition, the law provides for Illinois earnings above a certain level of return on equity (ROE) to be shared equally between customers and MidAmerican beginning in April 2000. MidAmerican's ROE level will be based on a rolling two-year average, with the first determination being based on an average of 1998 and 1999. The ROE level at which MidAmerican will be required to share earnings is a multi-step calculation of average 30-year Treasury Bond rates plus 5.50% for 1998 and 1999 and 6.50% for 2000 through 2004. If the resulting average Treasury Bond rate were equal to the December 1998 30-year Treasury Bond rate, the ROE level above which sharing must occur would be approximately 10.6%. The law allows MidAmerican to mitigate the sharing of earnings above the threshold ROE through non-cash methods that would reduce MidAmerican's earnings. MidAmerican continues to evaluate its strategy regarding the sharing mechanism.

The law also addresses charges to customers for transition costs based on a lost-revenue approach. These transition fees, designed to help utilities recover stranded costs, will end December 31, 2006, subject to possible extension. MidAmerican continues its involvement in proceedings which detail the new competitive environment and to evaluate the impact of the law on its operations.

In Iowa, a replacement of the prior utility property tax system, which was supported by MidAmerican, went into effect on January 1, 1999. The replacement tax is primarily a consumption-based tax on the user of energy and assures stability in tax collections as the industry is deregulated in Iowa. With resolution of the utility property tax issue, MidAmerican is pursuing the adoption of restructuring legislation in the 1999 Iowa legislative session.

Small Volume Gas Transportation -

In October 1997, the IUB adopted rules to encourage gas transportation service for small volume customers starting in 1999. MidAmerican filed its plan to unbundle service for its small volume customers on October 30, 1998. Under the plan, all of MidAmerican's small volume natural gas customers in Iowa, including residential customers, would be allowed to choose their own natural gas supplier/marketer, which may be the retail portion of MidAmerican's business, beginning May 1, 2000. If a customer does not expressly choose a supplier/marketer, then MidAmerican will provide the customer with market-priced service. With implementation of customer choice, the PGA (refer to the Gas Margin discussion of Results of Operations) would be modified to recover only the costs incurred by MidAmerican, as the distribution system operator, to balance the system and maintain system integrity.

Residential and Commercial Pilot Project -

On August 21, 1998, the IUB issued an Order approving MidAmerican's proposal to allow at least 15,000 Iowa families and 2,000 small businesses to have the opportunity to select among competing electricity providers. The two-year program will allow participating retail customers in the selected test area to choose among several electricity providers, including MidAmerican, and to have that energy delivered by MidAmerican. Customer enrollment will begin on April 1, 1999, with the pilot starting in May 1999. Businesses in the test area will be eligible for the program if their annual peak demand is less than four megawatts. New suppliers participating in the program will have to be certified by the IUB and meet specified requirements.

Accounting Effects of Industry Restructuring -

A possible consequence of competition in the utility industry is that SFAS 71 may no longer apply. SFAS 71 sets forth accounting principles for 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. A majority of MidAmerican's electric and gas utility operations currently meet the criteria required by SFAS 71, but its applicability is periodically reexamined. On December 16, 1997, MidAmerican's generation operations serving Illinois were no longer subject to the provisions of SFAS 71 due to passage of industry restructuring legislation in Illinois. Thus, in 1997 MidAmerican was required to write off the regulatory assets and liabilities from its balance sheet related to its Illinois generation operations. The net amount of such write-offs was not material. If other portions of its utility operations no longer meet the criteria of SFAS 71, MidAmerican could be required to write off the related regulatory assets and liabilities from its balance sheet, and thus, a material adjustment to earnings in that period could result. As of December 31, 1998, MidAmerican had $305 million of regulatory assets on its Consolidated Balance Sheet.

Energy Efficiency -

MidAmerican's regulatory assets as of December 31, 1998, included $74.5 million of deferred energy efficiency costs. Based on the current level of recovery, MidAmerican expects to recover these costs by the end of 2001. MidAmerican is also allowed to recover its ongoing energy efficiency costs on a current basis. Recovery of these costs is being collected from customers based on projected annual costs of $16.8 million, which may be adjusted annually. Amortization of the deferred energy efficiency costs and current expenditures for energy efficiency costs will be reflected in other operating expenses over the related periods of recovery. The total of such costs for the years 1999, 2000 and 2001 is estimated to be $43 million, $40 million and $35 million, respectively.

Rate Matters: Electric -

On June 27, 1997, the IUB approved a March 1997 settlement agreement between MidAmerican, the Iowa Office of Consumer Advocate (OCA) and other parties. Four major components of the settlement and their status are as follows:

1) On an annualized basis, prices for residential customers were reduced $8.5 million, $10.0 million and $5.0 million effective November 1, 1996, July 11, 1997, and June 1, 1998, respectively, for a total annual decrease of $23.5 million.

2) Prices for industrial customers were reduced by $6 million annually and prices for commercial customers were reduced by $4 million annually. MidAmerican was given permission to implement these reductions through a retail access pilot project, negotiated individual contracts and tariffed rate reductions. On January 1, 1999, MidAmerican reduced base rates for certain non-contract commercial customers by approximately $1.5 million annually, subject to IUB approval. Additionally, MidAmerican will make a one-time refund for reductions that were not in place by the June 1, 1998, deadline. The remainder of the commercial and industrial price reductions were achieved through negotiated contracts and a retail access pilot project.

The negotiated contracts have differing terms and conditions as well as prices. The contracts range in length from five to ten years, and some have price renegotiation and early termination provisions exercisable by either party. The vast majority of the contracts are for terms of seven years or less, although, some large customers have agreed to 10-year contracts. Prices are set as fixed prices; however, many contracts allow for potential price adjustments with respect to environmental costs, government imposed public purpose programs, tax changes, and transition costs. While the contract prices are fixed (except for the potential adjustment elements), the costs MidAmerican incurs to fulfill these contracts will vary. On an aggregate basis the annual revenues under contract are approximately $180 million.

3) The Iowa energy adjustment clause (EAC) was eliminated. Prior to July 11, 1997, MidAmerican collected fuel costs from Iowa customers on a current basis through the EAC, and thus, fuel costs had little impact on net income. Since then, base rates for Iowa customers include a factor for recovery of a representative level of fuel costs. If the actual per-unit fuel cost varies from that factor, pre-tax earnings are affected. The fuel cost factor was to be reviewed in February 1999 and adjusted prospectively if the actual 1998 fuel cost per-unit varied by more than 15% above or below the factor included in base rates. Based on 1998 actual fuel costs, MidAmerican will reduce the fuel cost recovery factor in 1999 base rates. The estimated annual reduction in revenues associated with this adjustment is $1.1 million.

4) If MidAmerican's annual Iowa electric jurisdictional return on common equity exceeds 12%, then an equal sharing between customers and shareholders of earnings above the 12% level begins; if it exceeds 14%, then two-thirds of MidAmerican's share of those earnings will be used for accelerated recovery of certain regulatory assets. The agreement precludes MidAmerican from filing for increased rates prior to 2001 unless the return on common equity falls below 9%. Other parties signing the agreement are prohibited from filing for reduced rates prior to 2001 unless the return on common equity, after reflecting credits to customers, exceeds 14%.

Rate Matters: Gas -

On October 27, 1998, MidAmerican made a filing with the IUB requesting a rate increase for its Iowa retail gas customers. The 4.5% increase represents approximately an $18.5 million increase in annual gas revenues. On January 22, 1999, the IUB approved an interim rate increase of approximately $6.7 million annually, effective immediately. MidAmerican and the OCA have signed a settlement agreeing to a final rate increase of $13.9 million annually. The settlement is subject to the IUB's approval which MidAmerican expects to occur in the second quarter of 1999.

On November 20, 1998, MidAmerican filed with the South Dakota Public Service Commission requesting a rate increase for its South Dakota retail gas customers. The requested 6.5% increase represents approximately a $3.2 million increase in annual revenues. MidAmerican expects the final rates, which may differ from the requested amount, to be implemented in the summer of 1999.

Environmental Matters -

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.

MidAmerican is evaluating 27 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 MidAmerican has any responsibility for remedial action. MidAmerican's estimate of probable remediation costs for these sites as of December 31, 1998, was $24 million. This estimate has been recorded as a liability and a regulatory asset for future recovery through the regulatory process. Refer to Note (4) (b) of Notes for further discussion of MidAmerican'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 MidAmerican's financial position or results of operations.

Following recommendations provided by the Ozone Transport Assessment Group, the EPA, in November 1997, issued a Notice of Proposed Rulemaking which identified 22 states and the District of Columbia as making significant contribution to nonattainment of the ozone standard in downwind states in the eastern half of the United States. In September 1998, the EPA issued its final rules in this proceeding. Iowa is not subject to the emissions reduction requirements in the final rules, and, as such, MidAmerican's facilities are not currently subject to additional emissions reductions as a result of this initiative.

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

The impact of the new standards on MidAmerican will depend on the attainment status of the areas surrounding MidAmerican's operations and MidAmerican's relative contribution to the nonattainment status. The attainment status of areas in the state of Iowa will not be known for two to three years. However, if MidAmerican's operations are determined to contribute to nonattainment, the installation of additional control equipment, such as scrubbers and/or selective catalytic reduction, on MidAmerican's units could be required. The cost to install such equipment could be significant. MidAmerican will continue to follow the attainment status of the areas in which it operates and evaluate the potential impact of the status of these areas on MidAmerican under the new regulations.

In December 1997, negotiators from more than 150 nations met in Kyoto, Japan to negotiate an international agreement designed to address global climate change impacts by attempting to reduce so-called greenhouse gas emissions. Some scientists contend that these gases build up in the Earth's atmosphere and cause global temperatures to rise. The primary target of these emissions is carbon dioxide (CO_2) which is formed by, among other things, the combustion of fossil fuels. The agreement currently calls for the United States to reduce its emissions of CO_2 and other greenhouse gases to 7 percent below 1990 levels in the 2008-2012 time frame. The United States became a signatory to the agreement on November 12, 1998. In order for the agreement to become binding upon the United States, ratification by the U.S. Senate is necessary. The cost to the utility industry in general, and to MidAmerican, of reducing its CO_2 emissions levels by 7 percent below 1990 levels would depend on available technology at the time, but could be material.

Quad Cities Nuclear Power Station -

Quad Cities Station is operated by and 75% owned by Commonwealth Edison Company (ComEd). In January 1998, ComEd was informed by the Nuclear Regulatory Commission (NRC) that the performance of Quad Cities Station was trending adversely. During outages at Units 1 and 2 in the first five months of 1998, ComEd worked extensively with the NRC regarding its concerns. In a July 1998 meeting, ComEd was informed by the NRC that while the adverse trend at Quad Cities Station appears to have been stopped, the operating time of the units since their restarts in May and June 1998 was not sufficient for the NRC to make a final determination of the trend status of Quad Cities Station. The NRC senior managers are scheduled to meet again in April 1999 and are expected to consider the performance of nuclear power plants, including Quad Cities Station. Other than a refueling outage on one unit and a scheduled surveillance outage required by technical specifications, the Quad Cities Station units have remained in full operation.

Coal Inventories -

In 1997 and 1998, nationwide operational problems of the Union Pacific Railroad resulted in reduced coal inventories at certain MidAmerican generating facilities. Management believes MidAmerican coal inventories have been restored to levels adequate to meet expected customer demands.

Generating Capability -

In July 1998, customer usage of electricity caused an hourly peak demand of 3,643 MW on MidAmerican's energy system. MidAmerican's previous record peak demand was 3,553 MW set in 1995. MidAmerican is interconnected with certain Iowa and neighboring utilities and is involved in an electric power pooling agreement known as Mid-Continent Area Power Pool (MAPP). Each MAPP participant is required to maintain for emergency purposes a net generating capability reserve of at least 15% above its system peak demand. MidAmerican's reserve margin for 1998 was approximately 20%.

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

ACTIVITIES REGARDING YEAR 2000 DATE ISSUES

The following discussion of year 2000 issues describes MidAmerican's plans to address technical problems relating to calculations, manipulations, storage and other uses of date data which could cause some computer-controlled systems, applications and processes (hereinafter referred to as "Systems") to incorrectly process critical financial and operational information, or stop processing altogether. The discussion contains by necessity many forward-looking statements. The Company wishes to avail itself of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and in order to do so includes the following meaningful cautionary statements with regard to the forward looking statements of its year 2000 plans. The Company's intentions, expectations, and predictions relating to its year 2000 efforts are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by such statements. Such risks and uncertainties include, among others, the effects of weather, competitive factors, federal and state regulatory actions, and other matters, many of which are beyond the Company's control. In addition, the Company claims the full protections established by the Year 2000 Information and Readiness Disclosure Act for Year 2000 Statements and Year 2000 Readiness Disclosure.

Project Description -

The Company has undertaken an extensive ongoing project to address its information technology (IT) and non-IT (including embedded technology) Systems potentially affected by the year 2000 date change. The Company's approach is based on a five-phase project methodology – inventory, assessment, planning, resolution and implementation – designed to result in the identification and evaluation of potential problems, and remediation of the Company's Systems. The Company generally defines the five phases as follows:

1. Inventory Phase - The purpose of the inventory phase is to identify and document Systems used by the Company that may have a date function.

2. Assessment Phase - The purpose of the assessment phase is to collect information about inventoried Systems, including the business and technical context in which individual Systems operate, to make an informed judgment concerning an appropriate plan to mitigate year 2000 related risks.

3. Planning Phase - The purpose of the planning phase is to develop strategic and tactical plans for Systems that require replacement, repairs, upgrades or other appropriate actions (collectively referred to as "remedial actions").

4. Resolution Phase - The purpose of the resolution phase is to execute the plan developed during the preceding phases. Testing of Systems and/or components of Systems is commenced during this phase.

5. Implementation Phase - The purpose of the implementation phase is to examine the Systems to determine whether they will function adequately in a production environment and to perform follow-up administrative tasks as required to develop appropriate documentation in support of year 2000 readiness.

The Company's preparedness goal is to ensure high- and medium-priority Systems are suitable for continued use into the year 2000 and will correctly perform all critical functions that require accurate processing of date data ("year 2000 ready" or "year 2000 readiness") by June 30, 1999. The Company classifies all Systems ranging from low- to high-priority based on their importance to carrying out the Company's business mission. System priority is based on potential impacts resulting from year 2000 problems on public and employee safety, prolonged and widespread service outages, long-term shareholder value, and ability to comply with regulatory requirements. In the case of low-priority Systems, year 2000 readiness may be delayed beyond January 1, 2000, or perhaps indefinitely. The Company plans to use the last six months of 1999 to perform post-implementation testing, address selected lower priority Systems and conduct preparedness exercises.

Vendors, customers and other third parties may affect the Company's ability to achieve year 2000 readiness. Because service reliability and financial stability are dependent on the Company's supply chain, a concerted effort is being made to investigate important third parties to assess their ability to continue to supply products or services to, or purchase products or services from, the Company. To date, the Company's investigation of third parties has focused substantial efforts on vendors of Systems and System components, fuel suppliers, joint owners of service providers, wholesale (bulk power) customers, major retail customers, and companies that exchange electronic data with the Company. However, information made available to the Company has not been uniform in terms of quality and quantity; e.g., information about products in which the Company has a specific interest has been definitive in some cases, while in other cases such information has been inconclusive.

State of Readiness -

Due to factors such as the overlapping nature of the project phases and the varying degree of complexity of the Systems being addressed, it is difficult to accurately determine the status of completion of a particular phase of the project at any given point in time. The Company uses three methods to measure the status of project completion:

1. As an entity with public utility operations, the Company must comply with certain year 2000 regulatory requirements imposed by the North American Electric Reliability Council ("NERC"). NERC reporting data is limited primarily to Systems that are directly associated with transmission grid stability. The transmission grid consists of the interconnected transmission systems of North American utilities. Reporting categories include nuclear generation, non-nuclear generation, Energy Management Systems and Supervisory Control and Data Acquisition ("SCADA") system, telecommunications systems, substation controls and system protection, and IT business information systems. Pursuant to NERC requirements, the Company's January compliance filing shows the Company has completed 100% of inventory provisions, 94% of assessment conditions (the remaining 6% relates to finalizing phase-end sign-off documentation and completion of assessment on some products that had not been implemented to production as of the reporting date), and 50% of remediation/testing requirements.

2. The "checklist" approach counts as one each System that is unique to a given organizational group. For example, identical substation meters may be located in several individual substations, but the meter is counted as only one System. All Systems are viewed as equivalent, regardless of priority, in the checklist approach. Systems are categorized as complete or not complete, without regard to percentage of completion of the System in total or percentage of completion of any particular phase of the project. As of January 31, 1999, there were 5,469 separate Systems in the Company's inventory. Of these, 3,637, or 66.5%, had been completed.

3. The Company's internally developed measure is more sensitive and is based on business risk/priority, weighted tasks and weighted phases. Only high- and medium-risk/priority Systems are included in the status of completion calculation. The data related to Systems that could impact grid stability pertains only to those Systems that directly affect the Company's cust mers. Also, progress toward completion is measured. As of January 31,1999, the Company as a whole is generally in the resolution phase. Percentage of completion for six areas of business operations is a follows:

    A. IT - Applications: 65% complete
    B. IT - Operations & Infrastructure: 73% complete
    C. Generation: 70% complete
    D. Energy Delivery: 71% complete
    E. Retail: 47% complete
    F. Corporate Services (excluding IT): 43% complete

The investigation of supply chain issues consists of documenting the nature of business relationships in correspondence, surveys and meetings with third parties and making determinations regarding their year 2000 readiness status based on the responses received. Ongoing communications with some third parties will be required for the Company to make such a determination. Due to the nature of third parties' continued updates of year 2000 readiness disclosures, it is expected that these communications will continue through the last half of 1999, as will continued monitoring of information about specific products in the Company's inventory.

Costs -

As of December 31, 1998, approximately $5.5 million in operating expenses have been incurred to carry out year 2000 activities. It is anticipated that an additional $8.2 million in operating expenses and $1.4 million in capital costs will need to be incurred to complete the project. Although additional unforeseen costs may be incurred, at this time the Company has not become aware of any material costs which may arise in order to achieve year 2000 readiness. Future progress toward achievement of year 2000 readiness could change this outlook.

The Company has renovated several high-priority Systems (management information, materials management information, work management information, and others). Certain other Systems (customer service, electric outage management, meter control and inventory, and others) will be replaced to gain enhanced functionalities prior to the end of the first quarter of 1999. The requirement to develop and install a new customer service system ("CSS") and related applications was an outcome of the merger which created MidAmerican in July of 1995. Although potential year 2000 problems existing in the predecessor companies' CSS products were recognized, the decision to implement the new CSS was primarily in response to technical difficulties associated with application integration and the need for additional application functionalities. The costs of the new CSS and related applications are not reported herein as their development and installation was not driven by year 2000 concerns.

Contingency Plans -

A contingency plan identifying credible worst-case scenarios is being developed. Although a number of factors come into play in defining reasonably likely worst case scenarios, the loss of voice and data ("V/D") communications in combination with volatile load patterns is viewed as the most serious threat. Such communications are crucial to enable the Company to monitor the relationship between the supply and demand for electricity. Loss of V/D communications would have a severe impact in the event load patterns become uncommonly unstable as a result of other utilities and/or large numbers of major customers on the Company's transmission grid system experience problems due to year 2000 issues.

The first draft of the Company's contingency plan was completed before December 31, 1998, and the schedule for finalizing the plan calls for the second draft to be completed on or before June 30, 1999, and to have an operational plan in place no later than September 1, 1999. The Company plans to participate in two contingency planning drills coordinated by NERC on April 9 and September 9 of 1999.

The contingency plan comprises both mitigation and recovery aspects. Mitigation entails planning to reduce the impact of unresolved year 2000 problems and recovery entails planning to recover from year 2000 problems that may occur. The Company's approach to contingency planning includes the following steps: identify year 2000 operating risks; perform scenario risk analysis; develop risk management strategies; begin general preparations; implement power system operation planning; and implementation of year 2000 system operating plan.

Risks -

Despite the comprehensive nature of the Company's year 2000 project and the results the project is designed to produce, the Company may experience random, widespread and simultaneous failures in its generation, distribution and Systems during January 2000. Contingency plans for any known or reasonably anticipated risk of interruption to the generation or distribution of energy are being developed to plan for resources needed to be put in place to reduce the potential outage period to a minimum. Although the impact on future operations and revenues is unknown, failure of the Company's Systems to perform because of year 2000 implications could result in operating problems and costs material to the Company.

Although management believes the project will be completed sufficiently in advance of January 1, 2000, unforeseen and other factors could cause delays in the project, the results of which may have a material effect on the Company's results of operations. In addition, there is no assurance that the Company will not be affected by year 2000 problems experienced by third parties.

ACCOUNTING ISSUES

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" effective for fiscal years beginning after June 15, 1999. SFAS 133 requires an entity to recognize all of its derivatives as either assets or liabilities in its statement of financial position and measure those instruments at fair value. If certain conditions are met, such instruments may be designated as hedges. Changes in the value of hedge instruments would not impact earnings, except to the extent that the instrument is not perfectly effective as a hedge. An entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use in assessing the effectiveness of the derivative. If the pronouncement was currently in effect, MidAmerican believes it would not have a material impact on its results of operations or financial condition.

In November 1998, the Emerging Issues Task Force (EITF) of the FASB released EITF Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," effective for fiscal years beginning after December 15, 1998. In this issue, the EITF provides guidance on how energy trading activities are to be accounted for on a company's income statement. Current accounting practice varies throughout the energy industry. Historically, a "settlement" basis of accounting has been used, meaning the earnings impact of energy contracts was recognized when such contracts were physically settled. As these type of contracts become more complicated or as the operation of the group conducting these activities takes on more characteristics of a trading function, the EITF has concluded that such contracts must be recorded at fair value, and the net change in value recorded in income. The EITF outlines a number of indicators to consider in determining whether an operation is engaged in "trading activities." Presently, MidAmerican's operation does not meet the definition of "trading", and hence it continues to use settlement accounting. However, if the nature of MidAmerican's trading activity changes, there will need to be a transition to fair value accounting.

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(In thousands)

	Years Ended December 31		
	1998	1997	1996
Operating Revenues			
Regulated electric	$1,169,810	$1,126,300	$1,099,008
Regulated gas	429,870	536,306	536,753
Nonregulated	107,509	65,249	38,592
	1,707,189	1,727,855	1,674,353
Operating Expenses			
Regulated:			
Cost of fuel, energy and capacity	227,870	235,760	234,317
Cost of gas sold	243,451	346,016	345,014
Other operating expenses	460,937	429,794	350,174
Maintenance	107,891	98,090	88,621
Depreciation and amortization	182,211	170,540	164,592
Property and other taxes	99,163	101,317	92,630
	1,321,523	1,381,517	1,275,348
Nonregulated:			
Cost of sales	88,390	54,522	31,197
Other	16,356	4,507	1,634
	104,746	59,029	32,831
Total operating expenses	1,426,269	1,440,546	1,308,179
Operating Income	280,920	287,309	366,174
Non-Operating Income			
Interest and dividend income	6,116	2,332	1,598
Other, net	(6,477)	6,147	(3,361)
	(361)	8,479	(1,763)
Fixed Charges			
Interest on long-term debt	70,193	78,120	79,434
Other interest expense	14,128	10,027	10,842
Preferred dividends of subsidiary trust	7,980	7,980	288
Allowance for borrowed funds	(3,377)	(2,597)	(4,212)
	88,924	93,530	86,352
Income From Continuing Operations Before Income Taxes	191,635	202,258	278,059
Income Taxes	76,042	76,317	112,927
Income From Continuing Operations	115,593	125,941	165,132
Loss From Discontinued Operations	-	-	(10,161)
Net Income	115,593	125,941	154,971
Preferred Dividends	4,952	6,488	10,401
Earnings on Common Stock	$ 110,641	$ 119,453	$ 144,570

The accompanying notes are an integral part of these statements.

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands)

	As of December 31	
	1998	1997
Assets		
Utility Plant		
Electric	$4,258,061	$4,087,924
Gas	786,169	756,874
	5,044,230	4,844,798
Less accumulated depreciation and amortization	2,428,954	2,277,110
	2,615,276	2,567,688
Construction work in progress	26,369	55,418
	2,641,645	2,623,106
Power Purchase Contract	150,401	173,107
Current Assets		
Cash and cash equivalents	5,370	9,318
Receivables	168,764	184,153
Inventories	92,745	84,298
Other	32,126	6,174
	299,005	283,943
Investments and Nonregulated Property, Net	183,279	115,029
Other Assets	311,200	347,122
Total Assets	$3,585,530	$3,542,307
Capitalization and Liabilities		
Capitalization		
Common shareholder's equity	$ 972,278	$ 985,744
MidAmerican preferred securities, not subject to mandatory redemption	31,759	31,763
Preferred securities, subject to mandatory redemption:		
MidAmerican preferred securities	50,000	50,000
MidAmerican-obligated preferred securities of subsidiary trust holding solely MidAmerican junior subordinated debentures	100,000	100,000
Long-term debt (excluding current portion)	870,069	920,203
	2,024,106	2,087,710
Current Liabilities		
Notes payable	206,221	122,500
Current portion of long-term debt	60,897	124,460
Current portion of power purchase contract	15,034	14,361
Accounts payable	159,420	128,390
Taxes accrued	106,132	91,449
Interest accrued	13,473	20,616
Other	35,405	22,598
	596,582	524,374
Other Liabilities		
Power purchase contract	68,093	83,143
Deferred income taxes	584,675	592,840
Investment tax credit	77,421	83,127
Other	234,653	171,113
	964,842	930,223
Total Capitalization and Liabilities	$3,585,530	$3,542,307

The accompanying notes are an integral part of these statements.

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

	Years Ended December 31		
	1998	1997	1996
Net Cash Flows From Operating Activities			
Net income	$ 115,593	$ 125,941	$ 154,971
Adjustments to reconcile net income to net cash provided:			
Depreciation and amortization	198,616	194,287	185,657
Net decrease in deferred income taxes and investment tax credit, net	(18,379)	(32,645)	(3,111)
Amortization of other assets	40,076	33,112	20,541
Loss from discontinued operations	-	-	10,161
Gain on sale of assets and long-term investments	-	-	(6,104)
Impact of changes in working capital	42,367	17,003	(58,371)
Other	2,734	(28,160)	23,689
Net cash provided	381,007	309,538	327,433
Net Cash Flows From Investing Activities			
Utility construction expenditures	(193,354)	(166,932)	(154,198)
Quad Cities Nuclear Power Station decommissioning trust fund	(11,409)	(9,819)	(8,607)
Deferred energy efficiency expenditures	-	(12,258)	(20,390)
Nonregulated capital expenditures	(21,065)	(5,920)	(2,970)
Proceeds from sale of assets and other investments	19,854	-	11,620
Investment in discontinued operations	-	-	10,100
Other investing activities, net	799	(788)	734
Net cash used	(205,175)	(195,717)	(163,711)
Net Cash Flows From Financing Activities			
Dividends paid	(129,152)	(126,988)	(131,171)
Issuance of long-term debt, net of issuance cost	158,414	-	99,500
Retirement of long-term debt, including reacquisition cost	(282,759)	(92,524)	(72,111)
Reacquisition of preferred shares	(4)	(6)	(58,176)
Issuance of preferred securities, net of issuance cost	-	-	96,850
Cash inflows (outflows) of accounts receivable securitization	(10,000)	70,000	-
Net increase (decrease) in notes payable	83,721	(39,200)	(23,100)
Net cash used	(179,780)	(188,718)	(88,208)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,948)	(74,897)	75,514
Cash and Cash Equivalents at Beginning of Year	9,318	84,215	8,701
Cash and Cash Equivalents at End of Year	$ 5,370	$ 9,318	$ 84,215
Additional Cash Flow Information:			
Interest paid, net of amounts capitalized	$ 89,932	$ 90,718	$ 80,881
Income taxes paid	$ 89,130	$ 112,492	$ 103,627

The accompanying notes are an integral part of these statements.

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

	As of December 31			
	1998		1997	
Common Shareholder's Equity				
Common shares, no par; 350,000,000 shares authorized;				
70,980,203 shares outstanding	$ 560,656		$ 560,563	
Retained earnings	411,622		425,181	
	972,278	48.0%	985,744	47.2%
Preferred Securities (100,000,000 shares authorized)				
Cumulative shares outstanding not subject to mandatory redemption:				
$3.30 Series, 49,451 and 49,481 shares, respectively	4,945		4,948	
$3.75 Series, 38,305 and 38,310 shares, respectively	3,831		3,831	
$3.90 Series, 32,630 shares	3,263		3,263	
$4.20 Series, 47,362 and 47,369 shares, respectively	4,736		4,737	
$4.35 Series, 49,945 shares	4,994		4,994	
$4.40 Series, 50,000 shares	5,000		5,000	
$4.80 Series, 49,898 shares	4,990		4,990	
	31,759	1.6%	31,763	1.5%
Cumulative shares outstanding; subject to mandatory redemption:				
$5.25 Series, 100,000 shares	10,000		10,000	
$7.80 Series, 400,000 shares	40,000		40,000	
	50,000	2.5%	50,000	2.4%
MidAmerican-Obligated Preferred Securities				
MidAmerican-obligated mandatorily redeemable cumulative preferred securities of subsidiary trust holding solely MidAmerican junior subordinated debentures:				
7.98% series, 4,000,000 shares outstanding	100,000	4.9%	100,000	4.8%
Long-Term Debt				
Mortgage bonds:				
7.875% Series, due 1999	-		60,000	
6% Series, due 2000	35,000		35,000	
6.75% Series, due 2000	75,000		75,000	
7.125% Series, due 2003	100,000		100,000	
7.70% Series, due 2004	55,630		55,630	
7% Series, due 2005	90,500		90,500	
7.375% Series, due 2008	75,000		75,000	
8% Series, due 2022	-		50,000	
7.45% Series, due 2023	6,940		6,940	
8.125% Series, due 2023	-		100,000	
6.95% Series, due 2025	12,500		12,500	
Pollution control revenue obligations:				
5.15% to 5.75% Series, due periodically through 2003	7,704		8,064	
5.95% Series, due 2023 (secured by general mortgage bonds)	29,030		29,030	

The accompanying notes are an integral part of these statements.

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

	As of December 31			
	1998		1997	
Long-Term Debt (Continued)				
Variable rate series -				
Due 2016 and 2017, 3.7%	$ 37,600		$ 37,600	
Due 2023 (secured by general mortgage bond, 3.7%)	28,295		28,295	
Due 2023, 3.7%	6,850		6,850	
Due 2024, 3.7%	34,900		34,900	
Due 2025, 3.7%	12,750		12,750	
Notes:				
8.75% Series, due 2002	240		240	
6.5% Series, due 2001	100,000		100,000	
6.375% Series, due 2006	160,000		-	
6.4% Series, due 2003 through 2007	2,000		2,000	
Obligation under capital lease	2,055		3,096	
Unamortized debt premium and discount, net	(1,925)		(3,192)	
	870,069	43.0%	920,203	44.1%
Total Capitalization	$2,024,106	100.0%	$2,087,710	100.0%

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(In thousands, except per share amounts)

	Years Ended December 31		
	1998	1997	1996
Beginning of Year	$ 425,181	$ 426,228	$ 430,589
Net Income	115,593	125,941	154,971
Deduct (Add):			
(Gain) loss on reacquisition of preferred shares	(3)	1,433	1,572
Dividends declared on preferred shares	4,955	5,055	8,829
Dividends declared on common shares	124,200	120,500	120,770
Dividend of investment in subsidiaries	-	-	28,161
	129,152	126,988	159,332
End of Year	$ 411,622	$ 425,181	$ 426,228

The accompanying notes are an integral part of these statements.

MIDAMERICAN ENERGY COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Company Structure and Merger:

MidAmerican Energy Company (MidAmerican) is a public utility with electric and natural gas operations and is the principal subsidiary of MHC Inc. (MHC). MHC is headquartered in Des Moines, Iowa, and has the following nonregulated subsidiaries: MidAmerican Capital Company, MidAmerican Realty Services Company and Midwest Capital Group, Inc. MHC is a wholly owned subsidiary of MidAmerican Funding, LLC, which is wholly owned subsidiary of MidAmerican Energy Holdings Company.

The current corporate structure is the result of the merger transaction completed on March 12, 1999, (the Merger) involving MHC (formerly MidAmerican Energy Holdings Company), and CalEnergy Company, Inc. (CalEnergy). CalEnergy, through a reincorporation transaction, was renamed MidAmerican Energy Holdings Company (Holdings). Holdings is an exempt public utility holding company headquartered in Des Moines. References to MHC regarding information, events or transactions prior to the merger relate to the former MidAmerican Energy Holdings Company.

MidAmerican was formed on July 1, 1995, as a result of the merger of Iowa-Illinois Gas and Electric Company, Midwest Resources Inc. (Resources) and Midwest Power Systems Inc., the utility subsidiary of Resources. Effective December 1, 1996, MHC became the parent company of MidAmerican, MidAmerican Capital and Midwest Capital. Prior to December 1, 1996, MidAmerican Capital and Midwest Capital were subsidiaries of MidAmerican. Accordingly, the consolidated financial statements of MidAmerican present amounts related to MidAmerican Capital and Midwest Capital as discontinued operations in 1996 to reflect their transfer to MHC. See Note (10) for additional information regarding the formation of the holding company in 1996.

(b) Consolidation Policy and Preparation of Financial Statements:

The accompanying Consolidated Financial Statements include MidAmerican and its wholly owned subsidiaries. In 1998, MidAmerican reformatted its income statement to reflect certain nonregulated operations differently. Prior year amounts have been reclassified accordingly. 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:

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

Statement of Financial Accounting Standards (SFAS) No. 71 sets forth accounting principles for 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. A possible consequence of the changes in the utility industry is the discontinued applicability of SFAS 71. The majority of MidAmerican's electric and gas utility operations currently meet the criteria of SFAS 71, but its applicability is periodically reexamined. On December 16, 1997, MidAmerican's generation operations serving Illinois were no longer subject to the provisions of SFAS 71 due to passage of industry restructuring legislation in Illinois. Thus in 1997, MidAmerican was required to write off the regulatory assets and liabilities from its balance sheet related to its Illinois generation operations. The net amount of such write-offs was not material. If other portions of its utility operations no longer meet the criteria of SFAS 71, MidAmerican could be required to write off the related regulatory assets and liabilities from its balance sheet and thus, a material adjustment to earnings in that period could result. The following regulatory assets, primarily included in Other Assets in the Consolidated Balance Sheets, represent probable future revenue to MidAmerican because these costs are expected to be recovered in charges to utility customers (in thousands):

	1998	1997
Deferred income taxes	$148,036	$143,851
Energy efficiency costs	74,509	111,471
Debt refinancing costs	40,233	34,923
FERC Order 636 transition costs	-	9,279
Environmental costs	23,427	20,417
Enrichment facilities decommissioning	8,659	8,781
Unamortized costs of retired plant	3,537	5,771
Other	7,088	4,796
Total	$305,489	$339,289

(d) Revenue Recognition:

Revenues are recorded as services are rendered to customers. MidAmerican 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 were $79.8 million and $80.2 million at December 31, 1998 and 1997, respectively, and are included in Receivables on the Consolidated Balance Sheets.

MidAmerican's Illinois and South Dakota jurisdictional sales, or approximately 12% of total retail electric sales, and the majority of its total retail gas sales are subject to adjustment clauses. These clauses allow MidAmerican to adjust the amounts charged for electric and gas service as the costs of gas, fuel for generation or purchased power change. The costs recovered in revenues through use of the adjustment clauses are charged to expense in the same period.

(e) Depreciation and Amortization:

MidAmerican'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:

	1998	1997	1996
Electric	3.9%	3.8%	3.8%
Gas	3.4%	3.4%	3.7%

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

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

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

(f) Investments and Nonregulated Property, Net:

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

	1998	1997
Nuclear decommissioning trust fund	$116,973	$ 93,251
Corporate owned life insurance	43,945	-
Coal transportation property	11,562	11,626
Other	10,799	10,152
Total	$183,279	$115,029

Investments held by the nuclear decommissioning trust fund for the Quad Cities Station units are classified as available-for-sale and are reported at fair value with net unrealized gains and losses reported as adjustments to the accumulated provision for nuclear decommissioning.

(g) Consolidated Statements of Cash Flows:

MidAmerican 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 was as follows (in thousands):

	1998	1997	1996
Receivables	$25,389	$ (209)	$(55,014)
Inventories	(8,447)	6,566	(7,311)
Other current assets	(25,952)	1,602	9,118
Accounts payable	31,030	5,416	6,543
Taxes accrued	14,683	9,111	3,345
Interest accrued	(7,143)	(3,629)	603
Other current liabilities	12,807	(1,854)	(15,655)
Total	$42,367	$17,003	$(58,371)

MidAmerican distributed the capital stock of MidAmerican Capital and Midwest Capital to MHC. See Note (10) for additional information.

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

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

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

The fuel cost portion of the power purchase contract is included in Cost of Fuel, Energy and Capacity on the Consolidated Statements of Income. All other costs MidAmerican 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(d), 4(e) and 4(f) for additional information regarding the power purchase contract.

(i) Accounting for Derivatives:

MidAmerican uses gas futures contracts and swap contracts to reduce the volatility in the price of natural gas purchased to meet the needs of its customers. Investments in natural gas futures contracts, which total $0.3 million and $1.5 million as of December 31, 1998 and 1997, respectively, are included in Receivables on the Consolidated Balance Sheets. Gains and losses on gas futures contracts that qualify for hedge accounting are deferred and reflected as adjustments to the carrying value of the hedged item or included in Other Assets on the Consolidated Balance Sheets until the underlying physical transaction is recorded if the instrument is used to hedge an anticipated future transaction. The net gain or loss on gas futures contracts is included in the determination of income in the same period as the expense for the physical delivery of the natural gas. Realized gains and losses on gas futures contracts and the net amounts exchanged or accrued under the natural gas swap contracts are included in Cost of Gas Sold, or Nonregulated Cost of Sales consistent with the expense for the physical commodity. Deferred net gains (losses) related to the Company's gas futures contracts are $(1.9) million and $(0.4) million as of December 31, 1998 and 1997, respectively.

MidAmerican periodically evaluates the effectiveness of its natural gas hedging programs. If a high degree of correlation between prices for the hedging instruments and prices for the physical delivery is not achieved, the contracts are recorded at fair value and the gains or losses are included in the determination of income. At December 31, 1998, MidAmerican held the following hedging instruments:

	Notional Volume (MMBtu)	Weighted Average Market Value (Per MMBtu)
Natural Gas Futures (Long)	6,970,000	$1.857
Natural Gas Futures (Short)	7,320,000	$1.854
Natural Gas Swaps (Variable to Fixed)	16,322,181	
Weighted average variable price		$1.922
Weighted average fixed price		$2.098

(2) LONG-TERM DEBT:

MidAmerican's sinking fund requirements and maturities of long-term debt for 1999 through 2003 are $61 million, $111 million, $102 million, $2 million and $105 million, respectively.

MidAmerican's Variable Rate Pollution Control Revenue Obligations bear interest at rates that are periodically established through remarketing of the bonds in the short-term tax-exempt market. MidAmerican, 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 rate shown in the Consolidated Statements of Capitalization is the weighted average interest rate as of December 31, 1998 and 1997. MidAmerican maintains dedicated revolving credit facility agreements or renewable lines of credit to provide liquidity for holders of these issues.

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

(3) JOINTLY OWNED UTILITY PLANT:

Under joint plant ownership agreements with other utilities, MidAmerican had undivided interests at December 31, 1998, in jointly owned generating plants as shown in the table below.

The dollar amounts below represent MidAmerican's share in each jointly owned unit. Each participant has provided financing for its share of each unit. Operating Expenses on the Consolidated Statements of Income include MidAmerican'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	$242	$127	$298	$161	$210	$530
Accumulated depreciation	$ 98	$ 82	$175	$ 92	$109	$252
Unit capacity-MW	1,529	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 1999 are estimated to be $194 million, including $9 million for Quad Cities Station nuclear fuel.

(b) Manufactured Gas Plant Facilities:

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

MidAmerican is evaluating 27 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 MidAmerican has any responsibility for remedial action. MidAmerican is currently conducting field investigations at eighteen sites and has conducted interim removal actions at five of the eighteen sites. In addition, MidAmerican has completed investigations and removals at four sites. MidAmerican is continuing to evaluate several of the sites to determine the future liability, if any, for conducting site investigations or other site activity.

MidAmerican's estimate of probable remediation costs for the sites discussed above as of December 31, 1998, was $24 million. This estimate has been recorded as a liability and a regulatory asset for future recovery. The ICC 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. MidAmerican's present rates in Iowa provide for a fixed annual recovery of MGP costs. MidAmerican 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 MidAmerican has potential legal liability for the site and whether information exists to indicate that contaminated wastes remain at the site. If so, the costs of performing a preliminary investigation and the costs of removing known contaminated soil are accrued. As the investigation is performed and if it is determined remedial action is required, the best estimate of remediation costs is accrued. If necessary, the estimate is revised when a consent order is issued. The estimated recorded liabilities for these properties include incremental direct costs of the remediation effort, costs for future monitoring at sites and costs of compensation to employees for time expected to be spent directly on the remediation effort. The estimated recorded liabilities for these properties are based upon preliminary data. Thus, actual costs could vary significantly from the estimates. The estimate could change materially based on facts and circumstances derived from site investigations, changes in required remedial action and changes in technology relating to remedial alternatives. 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 MidAmerican's financial position or results of operations.

(c) Clean Air Act:

Following recommendations provided by the Ozone Transport Assessment Group, the EPA, in November 1997, issued a Notice of Proposed Rulemaking which identified 22 states and the District of Columbia as making a significant contribution to nonattainment of the ozone standard in downwind states in the eastern half of the United States. In September 1998, the EPA issued its final rules in this proceeding. Iowa is not subject to the emissions reduction requirements in the final rules, and, as such, MidAmerican's facilities are not currently subject to additional emissions reductions as a result of this initiative.

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

The impact of the new standards on MidAmerican will depend on the attainment status of the areas surrounding MidAmerican's operations and MidAmerican's relative contribution to the nonattainment status. The attainment status of areas in the state of Iowa will not be known for two to three years. However, if MidAmerican's operations are determined to contribute to nonattainment, the installation of additional control equipment, such as scrubbers and/or selective catalytic reduction, on MidAmerican's units could be required. The cost to install such equipment could be significant. MidAmerican will continue to follow the attainment status of the areas in which it operates and evaluate the potential impact of the status of these areas on MidAmerican under the new regulations.

(d) 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 MidAmerican'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 1999 and is not contingent upon the plant being in service. In addition, MidAmerican 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 MidAmerican's payments to NPPD were $14.4 million, $13.8 million and $14.5 million and the net interest component was $2.9 million, $3.8 million and $3.6 million each for the years 1998, 1997 and 1996, respectively.

MidAmerican's payments for the debt principal portion of the power purchase contract obligation and the DOE enrichment plant decontamination and decommissioning payments are $15.0 million, $15.8 million, $16.6 million, $17.4 million and $18.3 million, for 1999 through 2003, respectively.

(e) Decommissioning Costs:

Based on site-specific decommissioning studies that include decontamination, dismantling, site restoration and dry fuel storage cost, MidAmerican's share of expected decommissioning costs for Cooper and Quad Cities Station, in 1998 dollars, is $256 million and $242 million, respectively. 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 escalate at an annual rate of 4.0%. Although Cooper's operating license expires in 2014, the funding plan assumes decommissioning will start in 2004, the anticipated plant shutdown date.

As of December 31, 1998, MidAmerican's share of funds set aside by NPPD in internal and external accounts for decommissioning was $97.5 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 6.75% annually. Certain funds will be required to be invested on a short-term basis when decommissioning begins and are assumed to earn at a rate of 4.0% annually. NPPD is recognizing decommissioning costs over the life of the power sales contract. MidAmerican makes payments to NPPD related to decommissioning Cooper. These payments are included in MidAmerican's power purchase costs. The Cooper decommissioning component of MidAmerican's payments to NPPD was $7.9 million, $11.3 million and $9.9 million for the years 1998, 1997, and 1996, respectively, and is 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.

External trusts have been established for the investment of funds for decommissioning the Quad Cities Station. The total accrued balance as of December 31, 1998, was $117.0 million and is included in Other Liabilities and a like amount is reflected in Investments and represents the fair value of the assets held in the trusts.

MidAmerican's provision for depreciation included costs for Quad Cities Station nuclear decommissioning of $11.4 million, $9.8 million and $8.6 million for 1998, 1997 and 1996, respectively. The provision charged to expense is equal to the funding that is being collected in rates. The decommissioning funding component of MidAmerican's Illinois and Iowa tariffs assumes decommissioning costs, related to the Quad Cities Station, will escalate at an annual rate of 4.9% and the assumed annual return on funds in the trust is 6.9%. Earnings, net of investment fees, on the assets in the trust fund were $1.7 million, $4.5 million and $3.2 million for 1998, 1997 and 1996, respectively. See Note (14) for information regarding unrealized gains and losses.

(f) Nuclear Insurance:

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

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

The property coverage provides for property damage, stabilization and decontamination of the facility, disposal of the decontaminated material and premature decommissioning. For Quad Cities Station, ComEd purchases primary and excess property insurance protection for the combined interests in Quad Cities, with coverage limits totalling $2.1 billion. For Cooper, MidAmerican and NPPD separately purchase primary and excess property insurance protection for their respective obligations, with coverage limits of $1.375 billion each. This structure provides that both MidAmerican and NPPD are covered for their respective 50% obligation in the event of a loss totalling up to $2.75 billion. MidAmerican also directly purchases extra expense/business interruption coverage for its share of replacement power and/or other extra expenses in the event of a covered accidental outage at Cooper or Quad Cities Station. The coverages purchased directly by MidAmerican, and the property coverages purchased by ComEd, which includes the interests of MidAmerican, are underwritten by an industry mutual insurance company and contain provisions for retrospective premium assessments should two or more full policy-limit losses occur in one policy year. Currently, the maximum retrospective amounts that could be assessed against MidAmerican from industry mutual policies for its obligations associated with Cooper and Quad Cities Station combined, total $11.2 million.

The master nuclear worker liability coverage, which is purchased by NPPD and ComEd for Cooper and Quad Cities Station, respectively, is an industry-wide guaranteed-cost policy with an aggregate limit of $200 million for the nuclear industry as a whole, which is in effect to cover tort claims of workers in nuclear-related industries as a result of radiation exposure.

(g) Coal and Natural Gas Contract Commitments:

MidAmerican has entered into supply and related transportation contracts for its fossil fueled generating stations. The contracts, with expiration dates ranging from 1999 to 2003, require minimum payments of $110.2 million, $75.8 million, $28.0 million, $8.1 million and $2.6 million for the years 1999 through 2003, respectively. MidAmerican expects to supplement these coal contracts with spot market purchases to fulfill its future fossil fuel needs.

MidAmerican has entered into various natural gas supply and transportation contracts for its utility operations. The minimum commitments under these contracts are $57.4 million, $40.1 million, $33.3 million, $18.7 million and $13.7 million for the years 1999 through 2003, respectively, and $60.7 million for the total of the years thereafter.

(h) Operating Lease Commitments:

MidAmerican has entered into various operating lease agreements covering facilities, computer and transportation equipment. Rental payments on operating leases were $23.2 million for 1998, $20.4 million for 1997, and $21.1 million for 1996. The approximate minimum annual commitments under all operating leases are $13.3 million, $11.8 million, $7.1 million, $5.5 million and $3.8 million for the years 1999 through 2003, respectively, and $3.6 million for the total of the years thereafter.

(5) COMMON SHAREHOLDER'S EQUITY:

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

	1998		1997		1996	
	Amount	Shares	Amount	Shares	Amount	Shares
Balance, beginning of year	$560,563	70,980	$560,597	100,752	$801,227	100,752
Changes due to:						
Cancellation of common shares	-	-	-	(29,772)	-	-
Stock options	-	-	-	-	623	-
Capital stock expense	-	-	-	-	(391)	-
Distribution of investment in subsidiaries to Holdings	-	-	-	-	(240,862)	-
Other	93	-	(34)	-	-	-
Balance, end of year	$560,656	70,980	$560,563	70,980	$560,597	100,752

(6) RETIREMENT PLANS:

MidAmerican has primarily noncontributory defined benefit pension plans covering substantially all employees of MidAmerican and its affiliates, MidAmerican Capital and Midwest Capital. No detail segregation of the data is available by company. Employees of MidAmerican represent approximately 95% of the payroll covered under these plans. 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. MidAmerican has been allowed to recover funding contributions in rates.

MidAmerican currently provides certain health care and life insurance (postretirement) benefits for retired employees of MidAmerican and its affiliates, MidAmerican Capital and Midwest Capital. No detailed segregation of the data is available by company. Employees of MidAmerican represent approximately 99% of the participants covered under these plans. Under the plans, substantially all of MidAmerican's employees may become eligible for these benefits if they reach retirement age while working for MidAmerican. However, MidAmerican retains the right to change these benefits anytime at its discretion. MidAmerican expenses postretirement benefit costs on an accrual basis and includes provisions for such costs in rates.

MidAmerican also maintains noncontributory, nonqualified supplemental executive retirement plans for active and retired participants.

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

	Pension Cost			Postretirement Cost		
	1998	1997	1996	1998	1997	1996
Service cost	$11,284	$ 10,092	$ 12,323	$ 3,558	$2,680	$2,118
Interest cost	29,941	29,623	31,109	9,344	8,822	8,341
Expected return on plan assets	(42,578)	(37,617)	(33,635)	(3,651)	(2,573)	(1,895)
Amortization of net transition obligation	(2,591)	(2,591)	(2,591)	5,291	5,291	5,291
Amortization of prior service cost	1,871	1,871	3,183	650	650	-
Amortization of prior year (gain) loss	(2,802)	(1,797)	806	-	(298)	-
Regulatory deferral of incurred cost	-	5,423	568	-	4,888	5,112
Net periodic (benefit) cost	$(4,875)	$ 5,004	$ 11,763	$15,192	$19,460	$18,967

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

Although the supplemental executive retirement plans had no plan assets as of December 31, 1998, MidAmerican had Rabbi trusts which held corporate-owned life insurance to provide funding for the future cash requirements. Because these plans are nonqualified, the fair value of these assets is not included in the following table. The cash value of the life insurance policies was $27.2 million and $21.5 million as of December 31, 1998 and 1997, respectively.

The projected benefit obligation and accumulated benefit obligation for the supplemental incentive retirement plans were $55.1 million and $49.9 million, respectively, as of December 31, 1998, and $48.6 million and $40.3 million, respectively, as of December 31, 1997.

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

	Pension Benefits		Postretirement Benefits	
	1998	1997	1998	1997
Reconciliation of benefit obligation:				
Benefit obligation at beginning of year	$430,043	$428,713	$127,347	$116,505
Service cost	11,285	10,091	3,558	2,680
Interest cost	29,941	29,623	9,344	8,822
Participant contributions	127	125	1,404	1,704
Plan amendments	-	(16,211)	(21,607)	8,927
Actuarial (gain) loss	15,793	8,088	9,463	(3,025)
Benefits paid	(30,714)	(30,386)	(9,321)	(8,266)
Benefit obligation at end of year	456,475	430,043	120,188	127,347
Reconciliation of the fair value of plan assets:				
Fair value of plan assets at beginning of year	483,668	427,828	52,174	36,783
Employer contributions	3,445	6,362	10,095	19,668
Participant contributions	127	125	1,404	1,704
Actual return on plan assets	67,982	79,739	8,741	2,285
Benefits paid	(30,714)	(30,386)	(9,321)	(8,266)
Fair value of plan assets at end of year	524,508	483,668	63,093	52,174
Funded status	68,033	53,625	(57,095)	(75,173)
Unrecognized net loss (gain)	(101,860)	(95,051)	(6,873)	(11,248)
Unrecognized prior service cost	19,868	21,739	2,555	8,277
Unrecognized net transition obligation (asset)	(13,748)	(16,339)	57,543	79,370
Net amount recognized in MHC's Consolidated Balance sheets	$ (27,707)	$ (36,026)	$ (3,870)	$ 1,226
Amounts recognized in the Consolidated Balance Sheets of MHC consist of:				
Prepaid benefit cost	$ 4,350	$ -	$ -	$ 1,226
Accrued benefit liability	(49,874)	(47,591)	(3,870)	-
Intangible asset	17,817	11,565	-	-
Net amount recognized	$ (27,707)	$ (36,026)	$ (3,870)	$ 1,226

	Pension and Postretirement Assumptions	
	1998	1997
Assumptions used were:		
Discount rate	6.75%	7.0%
Rate of increase in compensation levels	5.0%	5.0%
Weighted average expected long-term rate of return on assets	9.0%	9.0%

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

For purposes of calculating the postretirement benefit obligation, it is assumed health care costs for covered individuals prior to age 65 will increase by 8.4% in 1999 and that the rate of increase thereafter will decline by 1.0% annually to an ultimate rate of 5.25% by the year 2003. For covered individuals age 65 and older, it is assumed health care costs will increase by 6.0% in 1999 and 5.5% in 2000.

If the assumed health care trend rates used to measure the expected cost of benefits covered by the plans were increased by 1.0%, the total service and interest cost for 1998 would increase by $2.4 million, and the postretirement benefit obligation at December 31, 1998, would increase by $18.3 million. If the assumed health care trend rates were to decrease by 1.0%, the total service and interest cost for 1998 would decrease by $1.9 million and the postretirement benefit obligation at December 31, 1998, would decrease by $15.3 million.

MidAmerican sponsors defined contribution pension plans (401(k) plans) covering substantially all employees of MidAmerican and its affiliates, MidAmerican Capital and Midwest Capital. MidAmerican's contributions to the plans for MidAmerican employees, which are based on each participant's level of contribution and cannot exceed four percent of each participant's salary or wages, were $5.6 million, $4.5 million and $4.0 million for 1998, 1997 and 1996, respectively.

(7) STOCK-BASED COMPENSATION PLANS:

MidAmerican has stock-based compensation arrangements for employees and directors of MidAmerican and affiliates MidAmerican Capital and Midwest Capital, as described below. MidAmerican accounts for these plans under Accounting Principles Board Opinion No. 25 and the related interpretations. MidAmerican's allocated portion of total compensation cost recognized in income for stock-based compensation awards was $0.2 million, $1.2 million, and $0.6 million for 1998, 1997, and 1996, respectively. Had MidAmerican used Statement of Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), pro-forma net income for common stock would be $110.2 million, $119.6 million, and $144.4 million, respectively.

Stock options and performance share awards have been granted pursuant to the MidAmerican Energy Company 1995 Long-Term Incentive Plan (the "Plan"). Up to four million shares are authorized to be granted under the Plan.

Stock Options - Under the Plan, the Board of Directors of MHC granted options to purchase shares of common stock (the "Options") at the fair market value of the shares on the date of the grant. The options granted in 1998 and 1997 vest over a 3-year period at a rate of 33.3% per year and options granted in 1995 and 1996 vest over a 4-year period at a rate of 25% per year. Under the plan, all options expire ten years after the date of grant. At the effective time of the Merger, each outstanding option to purchase shares of common stock whether or not exercisable or vested, was assumed by Holdings and became an option to purchase shares of Holdings common stock based on a conversion factor of 0.9603. Stock option activity for 1998, 1997 and 1996, based on preconversion amounts, is summarized as follows:

	1998		1997		1996	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of year	566,666	$15.12	800,000	$14.66	700,000	$14.50
Granted	289,000	$25.25	46,666	$17.36	100,000	$15.75
Exercised	(70,000)	$14.50	(165,000)	$14.58	-	-
Forfeited	(10,000)	$17.38	(115,000)	$14.93	-	-
Outstanding, end of year	775,666	$18.72	566,666	$15.12	800,000	$14.66
Exercisable, end of year	369,710	$14.70	315,000	$14.54	175,000	$14.50
Weighted average fair value of options granted during year	$3.21		$1.66		$1.48	

The fair value of the options granted were estimated as of the date of the grant using the Black-Scholes option pricing model. The model assumed:

	1998	1997	1996
Dividend rate per share	$1.20	$ 1.20	$ 1.20
Expected volatility	17.52%	16.55%	17.62%
Expected life	10 Years	10 Years	10 Years
Risk free interest rate	5.27%	6.14%	6.53%

The options outstanding at December 31, 1998, have an exercise price range of $14.50 to $25.25, with a weighted average contractual life of 8.27 years.

Performance Shares - Under the Plan, participants were granted contingent shares of MHC common stock. The shares are contingent upon the attainment of specified performance measures within a 3-year performance period. During the performance period, the participant is entitled to receive dividends and vote the stock. The stock is vested upon achievement of the performance measures. If the specified criteria is not met within the 3-year performance period, the shares are forfeited. At the effective date of the Merger, each outstanding grant of performance shares whether or not vested was converted into the right to receive $27.15 in cash, payable to the grantee without interest.

The following table provides certain information regarding contingent performance incentive shares granted under the Plan:

	1998	1997	1996
Number of performance shares granted	77,441	77,105	68,189
Fair value at date of grant (in thousands)	$ 1,645	$ 1,335	$ 1,176
Weighted average per share amount	$21.2372	$ 17.3125	$ 17.2500
End of performance period	6/30/01	6/30/00	6/30/99

In addition, MHC has granted 1,200 restricted shares to each non-employee director in 1998 and 800 restricted shares to each non-employee director in 1997 and 1996, respectively. Non-employee directors are restricted from disposing of granted shares until such time as they cease to be a director of the company. The following table provides certain information regarding the directors restricted shares granted under the Plan.

	1998	1997	1996
Number of shares granted	14,400	11,200	12,000
Fair value at date of grant (in thousands)	$ 295	$ 194	$ 207
Weighted average price per share amounts	$20.4658	$17.3125	$17.2500

Employee Stock Purchase Plan - Employees of MidAmerican and its affiliates were allowed to purchase MHC stock up to the lesser of 15% of their annual compensation or $25,000 at a 15% discount. The number of shares acquired by employees under the plan were 146,299, 140,943, and 150,899 in 1998, 1997 and 1996, respectively. MHC acquired shares in the open market for this plan. Participants who purchase shares under the Plan are required to hold purchased shares for 180 days.

(8) 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):

	1998	1997	1996
Balance at year-end	$206,221	$122,500	$161,700
Weighted average interest rate on year-end balance	5.9%	5.9%	5.4%
Average daily amount outstanding during the year	$104,557	$110,472	$151,162
Weighted average interest rate on average daily amount outstanding during the year	5.6%	5.7%	5.5%

MidAmerican has authority from FERC to issue short-term debt in the form of commercial paper and bank notes aggregating $400 million. As of December 31, 1998, MidAmerican had a $250 million revolving credit facility and lines of credit totaling $90 million. In March 1999, an $85 million line of credit was terminated. MidAmerican's commercial paper borrowings are supported by the revolving credit facility and the lines of credit.

(9) RATE MATTERS:

As a result of a negotiated settlement in Illinois, MidAmerican reduced its Illinois electric service rates by annual amounts of $13.1 million and $2.4 million, effective November 3, 1996, and June 1, 1997, respectively. MidAmerican implemented an additional $0.9 million annual rate reduction for its Illinois residential customers, effective August 1, 1998, in connection with Illinois' electric utility restructuring law.

On June 27, 1997, the IUB approved a March 1997 settlement agreement between MidAmerican, the Iowa Office of Consumer Advocate (OCA) and other parties. Four major components of the settlement and their status are as follows:

1) On an annualized basis, prices for residential customers were reduced $8.5 million, $10.0 million and $5.0 million effective November 1, 1996, July 11, 1997, and June 1, 1998, respectively, for a total annual decrease of $23.5 million.

2) Prices for industrial customers were reduced by $6 million annually and prices for commercial customers were reduced by $4 million annually. MidAmerican was given permission to implement these reductions through a retail access pilot project, negotiated individual contracts and tariffed rate reductions. On January 1, 1999, MidAmerican reduced base rates for certain non-contract commercial customers by approximately $1.5 million annually, subject to IUB approval. Additionally, MidAmerican will make a one-time refund for reductions that were not in place by the June 1, 1998, deadline. The remainder of the commercial and industrial price reductions were achieved through negotiated contracts and a retail access pilot project.

The negotiated contracts have differing terms and conditions as well as prices. The contracts range in length from five to ten years, and some have price renegotiation and early termination provisions exercisable by either party. The vast majority of the contracts are for terms of seven years or less, although, some large customers have agreed to 10-year contracts. Prices are set as fixed prices; however, many contracts allow for potential price adjustments with respect to environmental costs, government imposed public purpose programs, tax changes, and transition costs. While the contract prices are fixed (except for the potential adjustment elements), the costs MidAmerican incurs to fulfill these contracts will vary. On an aggregate basis the annual revenues under contract are approximately $180 million.

3) The Iowa energy adjustment clause (EAC) was eliminated. Prior to July 11, 1997, MidAmerican collected fuel costs from Iowa customers on a current basis through the EAC, and thus, fuel costs had little impact on net income. Since then, base rates for Iowa customers include a factor for recovery of a representative level of fuel costs. If the actual per-unit fuel cost varies from that factor, pre-tax earnings are affected. The fuel cost factor was to be reviewed in February 1999 and adjusted prospectively if the actual 1998 fuel cost per unit varied by more than 15% above or below the factor included in base rates. Based on 1998 actual fuel costs, MidAmerican will reduce the fuel cost recovery factor in 1999 base rates. The estimated annual reduction in revenues associated with this adjustment is $1.1 million.

4) If MidAmerican's annual Iowa electric jurisdictional return on common equity exceeds 12%, an equal sharing between customers and shareholders of earnings above the 12% level begins; if it exceeds 14%, two-thirds of MidAmerican's share of those earnings will be used for accelerated recovery of certain regulatory assets. The agreement precludes MidAmerican from filing for increased rates prior to 2001 unless the return on common equity falls below 9%. Other parties signing the agreement are prohibited from filing for reduced rates prior to 2001 unless the return on common equity, after reflecting credits to customers, exceeds 14%.

Under a restructuring law enacted in 1997, a similar sharing mechanism is in place for Illinois operations. Two-year average ROE's greater than a two-year average benchmark will trigger an equal sharing of earnings on the excess. The benchmark is a calculation of average 30-year Treasury Bond rates plus 5.5% for 1998 and 1999 and 6.5% for 2000 through 2004. The initial calculation, due March 31, 2000, will be based on 1998 and 1999 results.

(10) DISCONTINUED OPERATIONS:

On April 24, 1996, MidAmerican shareholders approved a proposal to form MHC as a holding company for MidAmerican and its subsidiaries. Effective December 1, 1996, each share of MidAmerican common stock was exchanged for one share of MHC common stock. As part of the transaction, MidAmerican distributed the capital stock of MidAmerican Capital and Midwest Capital to MHC. The subsidiaries that were distributed to MHC have been reflected as discontinued operations for MidAmerican.

In the third quarter of 1996 MidAmerican received a final settlement from the sale of a coal mining subsidiary which was reflected as a discontinued operation by a predecessor company in 1982. The final settlement, which resulted in an after-tax loss of $3.3 million, includes the reacquisition of preferred equity by the buyer and the settlement of reclamation reserves. Proceeds received from the settlement were $15 million.

Revenues from discontinued activities, as well as the results of discontinued operations for the years ended December 31 are as follows (in thousands):

	1998	1997	1996
Operating Revenues	$ -	$ -	$215,631
Income (loss) from Operations			
Income (loss) before income taxes	$ -	$ -	$ 12,588
Income tax benefit (expense)	-	-	(19,457)
	$ -	$	$ (6,869)
Loss on Disposal			
Loss before income taxes	$ -	$ -	$ (5,579)
Income tax benefit	-	-	2,287
Loss on Disposal	$ -	$ -	$ (3,292)

(11) CONCENTRATION OF CREDIT RISK:

MidAmerican's electric utili' operations serve 565,000 customers in Iowa, 85,000 customers in western Illinois and 3,000 customers in southeastern South Dakota. MidAmerican's gas utility operations serve 489,000 customers in Iowa, 65,000 customers in western Illinois, 64,000 customers in southeastern South Dakota and 4,000 customers in northeastern Nebraska. The largest communities served by MidAmerican are the Iowa and Illinois Quad-Cities; Des Moines, Sioux City, Cedar Rapids, Waterloo, Iowa City and Council Bluffs, Iowa; and Sioux Falls, South Dakota. MidAmerican's utility operations grant unsecured credit to customers, substantially all of whom are local businesses and residents. As of December 31, 1998, billed receivables from MidAmerican's utility customers totaled $20.1 million. As described in Note 18, billed receivables related to utility services have been sold to a wholly owned uncoi solidated subsidiary.

(12) PREFERRED SHARES:

The $5.25 Series Preferred Shares, which were 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 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 of MidAmerican not subject to mandatory redemption requirements may be redeemed at the option of the Company at prices which, in the aggregate, total $32.2 million. The aggregate total the holders of all preferred stock outstanding at December 31, 1998, are entitled to upon involuntary bankruptcy is $181.8 million plus accrued dividends. Annual dividend requirements for all preferred stock outstanding at December 31, 1998, total $12.9 million.

During 1996, MidAmerican redeemed all shares of the $1.7375 Series of preferred stock. The redemptions were made at a premium, which resulted in a charge to net income of $1.6 million.

(13) SEGMENT INFORMATION:

In 1998, the Company adopted SFAS 131, "Disclosures About Segments of an Enterprise and Related Information."

MidAmerican has two reportable operating segments: electric and gas. The electric segment derives most of its revenue from retail sales of electricity to residential, commercial, and industrial customers and sales to other utilities; whereas the gas segment derives most of its revenue from retail sales of natural gas to residential, commercial, and industrial customers. The gas segment also earns significant revenues by transporting gas owned by others through its distribution systems. Pricing for electric and gas sales are established separately by regulatory agencies; therefore, management also reviews each segment separately to make decisions regarding allocation of resources and in evaluating performance. Common operating costs, interest income, interest expense, income tax expense, and equity in the net loss of investees are allocated to each segment.

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

	1998	1997	1996
SEGMENT PROFIT INFORMATION			
ELECTRIC:			
Revenues	$1,169,810	$1,126,300	$1,099,008
Depreciation and amortization expense	156,546	145,931	140,939
Interest income	4,945	1,820	1,360
Interest expense	66,784	71,138	72,484
Income tax expense	75,831	64,017	90,544
Equity in the net loss of investees	(219)	(161)	-
Earnings on Common	109,539	101,534	119,583
GAS:			
Revenues	429,870	536,306	536,753
Depreciation and amortization expense	25,665	24,609	23,653
Interest income	1,169	501	237
Interest expense	14,011	14,412	13,580
Income tax expense (benefit)	(800)	9,698	20,023
Equity in the net loss of investee	(45)	(32)	-
Earnings on Common	(435)	14,177	28,460
NONREGULATED AND OTHER (a):			
Revenues	107,509	65,249	38,592
Interest income	2	-	-
Interest expense	149	-	-
Income tax expense	1,011	2,602	2,360
Earnings on Common	1,537	3,742	(3,473)

SEGMENT ASSET INFORMATION

	1998	1997	1996
ELECTRIC:			
Total assets	$2,897,657	$2,843,884	$3,036,211
Capital expenditures	158,596	128,544	116,243
Investment in equity method investments	1,388	1,292	-
GAS:			
Total assets	672,072	686,238	732,220
Capital expenditures	34,758	38,388	37,955
Investment in equity method investments	256	615	-
NONREGULATED AND OTHER (a):			
Total assets	15,801	12,185	6,222
Capital expenditures	21,065	5,920	2,970

(a) "Nonregulated and Other" consists of nonregulated gas, CBEC Railway and other nonregulated operations.

(14) FAIR VALUE OF FINANCIAL INSTRUMENTS:

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

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

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

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

Preferred shares - Fair value of preferred shares with mandatory redemption 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 available to MidAmerican 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):

	1998		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Instruments Issued by MidAmerican:				
MidAmerican preferred securities; subject to mandatory redemption	$ 50,000	$ 53,317	$ 50,000	$ 53,650
MidAmerican-obligated preferred securities; subject to mandatory redemption	100,000	102,500	100,000	104,250
Long-term debt, including current portion	930,966	968,308	1,044,663	1,076,167

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

	1998			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity Securities	$ 43,577	$13,250	$ (393)	$ 56,434
Municipal Bonds	28,645	2,037	(8)	30,674
U.S. Government Securities	15,411	1,410	-	16,821
Corporate Debt Securities	8,620	345	(4)	8,961
Cash equivalents	4,083	-	-	4,083
	$100,336	$17,042	$ (405)	$116,973

	1997			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available-for-sale:				
Equity Securities	$ 24,336	$ 3,848	$ (122)	$ 28,062
Municipal Bonds	35,217	2,116	(1)	37,332
U.S. Government Securities	18,753	800	(4)	19,549
Corporate Securities	6,353	77	(3)	6,427
Cash equivalents	1,881	-	-	1,881
	$ 86,540	$ 6,841	$ (130)	$ 93,251

At December 31, 1998, the debt securities held in the Quad Cities Station nuclear decommissioning trust fund had the following maturities (in thousands):

	Available for Sale	
	Amortized Cost	Fair Value
Within 1 year	$ 1,397	$ 1,397
1 through 5 years	21,793	22,852
5 through 10 years	14,595	15,820
Over 10 years	14,891	16,387

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

	1998	1997	1996
Proceeds from sales	$29,380	$30,801	$4,106
Gross realized gains	1,073	713	92
Gross realized losses	(2,690)	(659)	(17)

(15) INCOME TAX EXPENSE:

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

	1998	1997	1996
Current			
Federal	$ 69,266	$ 83,466	$ 92,240
State	25,154	25,495	23,798
	94,420	108,961	116,038
Deferred			
Federal	(8,666)	(23,143)	2,504
State	(4,007)	(3,786)	583
	(12,673)	(26,929)	3,087
Investment tax credit, net	(5,705)	(5,715)	(6,198)
Total income tax expense	$ 76,042	$ 76,317	$112,927

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):

	1998	1997
Deferred tax assets		
Related to:		
Investment tax credits	$52,139	$55,998
Pensions	15,677	17,339
Nuclear reserves and decommissioning	17,715	15,287
Other	-	799
Total	$85,531	$89,423
Deferred tax liabilities		
Related to:		
Depreciable property	$419,265	$417,333
Income taxes recoverable through future rates	198,364	197,877
Energy efficiency	27,186	40,902
Reacquired debt	16,385	15,346
FERC Order 636	(941)	2,858
Other	9,947	7,947
Total	$670,206	$682,263

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

	1998	1997	1996
Effective federal and state income tax rate	38%	36%	41%
Amortization of investment tax credit	3	3	2
State income tax, net of federal income tax benefit	(7)	(7)	(6)
Other	1	3	(2)
Statutory federal income tax rate	35%	35%	35%

(16) INVENTORIES:

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

	1998	1997
Materials and supplies, at average cost	$ 30,914	$ 31,425
Coal stocks, at average cost	22,266	14,225
Gas in storage, at LIFO cost	37,306	35,430
Fuel oil, at average cost	1,294	2,344
Other	965	874
Total	$ 92,745	$ 84,298

At December 31, 1998 prices, the current cost of gas in storage was $43.0 million.

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

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

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

(18) SALE OF ACCOUNTS RECEIVABLE:

In 1997 MidAmerican entered into a revolving agreement, which expires in 2002, to sell all of its right, title and interest in the majority of its billed accounts receivable to MidAmerican Energy Funding Corporation (Funding Corp.), a special purpose entity established to purchase accounts receivable from MidAmerican. Funding Corp. in turn has sold receivable interests to outside investors. In consideration of the sale, MidAmerican received $70 million in cash and the remaining balance in the form of a subordinated note from Funding Corp. In 1998 the revolving balance was reduced to $60 million due to a decline in accounts receivable available for sale. The agreement is structured as a true sale under which the creditors of Funding Corp. will be entitled to be satisfied out of the assets of Funding Corp. prior to any value being returned to MidAmerican or its creditors. At December 31, 1998, $97.4 million of accounts receivable, net of reserves, was sold under the agreement.

(19) AFFILIATED COMPANY TRANSACTIONS:

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

MHC incurred charges which are of general benefit to all of its subsidiaries. These costs were for administrative and general salaries and expenses, outside services, director fees, pension, deferred compensation, and retirement costs, some of which originated at MidAmerican. MHC reimbursed MidAmerican for charges originating at MidAmerican in the amount of $12.2 million and $4.1 million for 1998 and 1997, respectively. MidAmerican's allocated share of such costs and those which originated at MHC was $15.3 million and $13.8 million for 1998 and 1997, respectively.

MidAmerican was also reimbursed for charges incurred on behalf of its affiliates, MidAmerican Capital, Midwest Capital and MidAmerican Realty. The majority of these reimbursed expenses was for employee wages and benefits, insurance, building rent, computer costs, administrative services, travel expense, and general and administrative expense; including treasury, legal, shareholder relations and accounting functions. The amount of such expenses was $3.2 million and $6.6 million for 1998 and 1997, respectively.

Prior to 1997, MidAmerican, as the parent company, incurred costs of general benefit to itself and its subsidiaries. In addition, it incurred costs for employee wages and benefits, insurance, building rent, computer costs, administrative services, travel expense, and general and administrative expense; including treasury, legal, shareholder relations and accounting functions, on behalf of MidAmerican Capital and Midwest Capital. The total of such costs charged to MidAmerican Capital and Midwest Capital was $9.3 million for 1996.

MidAmerican leases unit trains from an affiliate for the transportation of coal to MidAmerican's generating stations. Unit train costs, including maintenance, were approximately $2.1 million, $2.8 million and $3.0 million for 1998, 1997 and 1996, respectively.

MidAmerican purchased natural gas from AmGas, an affiliate. MidAmerican's cost of gas related to these transactions was $2.2 million, $0.5 million and $0.2 million for 1998, 1997 and 1996, respectively. During 1998 MidAmerican also sold natural gas to AmGas in the amount of $24.8 million.

MidAmerican purchased natural gas from InterCoast Trade and Resources, an affiliate, in the amount of $2.0 million and $11.4 million for 1998 and 1997, respectively. MidAmerican also sold natural gas to InterCoast Trade and Resources in the amount of $1.6 million and $6.1 million for 1998 and 1997, respectively.

(20) UNAUDITED QUARTERLY OPERATING RESULTS:

	1998			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands)			
Operating revenues	$447,266	$375,506	$447,992	$436,425
Operating income	80,098	54,350	106,722	39,750
Income from continuing operations	33,179	18,380	49,544	14,490
Earnings on common stock	31,942	17,142	48,305	13,252

	1997			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
	(In thousands)			
Operating revenues	$486,640	$356,756	$406,531	$477,928
Operating income	81,165	59,568	102,476	44,100
Income from continuing operations	35,224	21,822	50,255	18,640
Earnings on common stock	32,450	20,586	49,016	17,401

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

(21) OTHER INFORMATION:

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

	1998	1997	1996
Discount on sold receivables	$(8,716)	$ (439)	$ -
Subservicer fee from Funding Corp.	1,714	153	-
Loss from equity method investments	(264)	(193)	-
Energy efficiency carrying charges	197	4,993	3,255
Gain on sale of cushion gas	-	855	3,182
Donations	(228)	(556)	(1,271)
Gain (loss) on reacquisition of long-term debt	-	(923)	1,105
NPPD settlement	-	2,248	-
IES merger proposal	-	-	(8,689)
Other	820	9	(943)
Total	$(6,477)	$6,147	$(3,361)

REPORT OF INDEPENDENT ACCOUNTANTS

To MidAmerican Energy Company and Subsidiaries:

We have audited the accompanying consolidated financial statements and the financial statement schedule of MidAmerican Energy Company and subsidiaries listed in Item 14(a) of this Form 10-K. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of MidAmerican Energy Company and subsidiaries as of December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/ PricewaterhouseCoopers LLP

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

MIDAMERICAN ENERGY COMPANY
UNAUDITED REGULATED ELECTRIC STATISTICS

Years ended December 31	1998	1997	1996
Revenues (in thousands)			
Residential	$ 436,696	$ 417,845	$ 415,954
Small general service	261,476	246,927	237,466
Large general service	259,138	249,444	241,172
Other sales	63,509	62,261	60,476
Sales for resale	125,919	124,741	121,452
Total from electric sales	1,146,738	1,101,218	1,076,520
Other electric revenue	23,072	25,082	22,488
Total	$ 1,169,810	$ 1,126,300	$1,099,008
KWh Sales (in thousands)			
Residential	4,942,044	4,740,688	4,652,031
Small general service	3,900,616	3,725,873	3,565,459
Large general service	6,256,141	6,204,087	6,067,325
Other	989,756	995,295	988,022
Sales for resale	6,185,653	6,987,268	6,727,326
Total	22,274,210	22,653,211	22,000,163
Revenues From Sales as a % of Total			
Residential	38.1	37.9	38.6
Small general service	22.8	22.4	22.1
Large general service	22.6	22.7	22.4
Other	5.5	5.7	5.6
Sales for resale	11.0	11.3	11.3
Total	100.0	100.0	100.0
Sales as a % of Total			
Residential	22.2	20.9	21.1
Small general service	17.5	16.5	16.2
Large general service	28.1	27.4	27.6
Other	4.4	4.4	4.5
Sales for resale	27.8	30.8	30.6
Total	100.0	100.0	100.0
Retail Electric Sales by Jurisdiction (%)			
Iowa	88.4	88.6	88.7
Illinois	10.9	10.7	10.6
South Dakota	0.7	0.7	0.7
Total	100.0	100.0	100.0
Customers (end of year)			
Residential	567,316	563,189	557,637
Small general service	74,310	73,488	73,022
Large general service	1,031	1,000	982
Other	10,216	10,047	9,937
Sales for resale	54	47	55
Total	652,927	647,771	641,633
Annual Average Per Residential Customer			
Revenue per Kwh (cents)	8.83	8.81	8.94
KWh sales	8,739	8,463	8,392
Cooling Degree Days			
Actual	1,054	883	788
Percent warmer (colder) than normal	10.4	(7.5)	(17.5)
Electric Peak Demand (net MW)	3,643	3,548	3,537
Summer Net Accredited Capability (MW)	4,425	4,293	4,301

MIDAMERICAN ENERGY COMPANY
UNAUDITED REGULATED GAS STATISTICS

Years ended December 31	1998	1997	1996
Revenues (in thousands)			
Residential	$ 278,420	$ 339,924	$ 338,605
Small general service	113,675	152,661	153,616
Large general service	9,837	15,201	17,670
Sales for resale and other	4,652	2,914	2,050
Total revenue from gas sales	406,584	510,700	511,941
Gas transported	18,694	20,443	20,155
Other gas revenues	4,592	5,163	4,657
Total	$ 429,870	$ 536,306	$ 536,753
Throughput (MMBtu in thousands)			
Sales			
Residential	49,084	57,039	61,732
Small general service	26,250	31,066	33,642
Large general service	3,032	3,920	4,634
Sales for resale and other	3,524	1,800	977
Total sales	81,890	93,825	100,985
Gas transported	59,062	58,804	54,618
Total	140,952	152,629	155,603
Revenues From Throughput as a % of Total			
Residential	65.5	64.0	63.6
Small general service	26.7	28.7	28.9
Large general service	2.3	2.9	3.3
Sales for resale and other	1.1	0.5	0.4
Gas transported	4.4	3.9	3.8
Total	100.0	100.0	100.0
Sales as a % of Total (excludes gas transported)			
Residential	59.9	60.8	61.1
Small general service	32.1	33.1	33.3
Large general service	3.7	4.2	4.6
Sales for resale and other	4.3	1.9	1.0
Total	100.0	100.0	100.0
Retail Gas Sales by Jurisdiction (%)			
Iowa	79.0	79.1	78.0
Illinois	10.2	10.4	11.0
South Dakota	10.1	9.8	10.3
Other	0.7	0.7	0.7
Total	100.0	100.0	100.0
Customers (end of year)			
Residential	561,579	558,501	550,786
Small general service	58,703	58,739	58,059
Large general service	713	767	821
Gas transported and other	566	569	504
Total	621,561	618,576	610,170
Annual Averages Per Residential Customer			
Revenue per MMBtu	$ 5.67	$ 5.96	$ 5.49
MMBtu sales	88	103	113
Heating Degree Days			
Actual	5,705	6,872	7,445
Percent colder (warmer) than normal	(15.6)	1.6	10.1
Cost per MMBtu	$ 2.97	$ 3.69	$ 3.42

MIDAMERICAN ENERGY COMPANY
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
FOR THE THREE YEARS ENDED DECEMBER 31, 1998
(In thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Year	Additions Charged to Income	Deductions	Balance at End of Year
Reserves Deducted From Assets To Which They Apply:				
Reserve for uncollectible accounts:				
Year ended 1998	$ -	$6,915	$ 6,915	$ -
Year ended 1997	$1,845	$7,386	$(9,231)	$ -
Year ended 1996	$2,214	$5,854	$(6,223)	$1,845
Reserves Not Deducted From Assets:				
Year ended 1998	$5,257	$1,148	$(1,717)	$4,688
Year ended 1997	$4,267	$2,971	$(1,981)	$5,257
Year ended 1996	$3,177	$2,683	$(1,593)	$4,267

SIGNATURES

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

MIDAMERICAN ENERGY COMPANY
Registrant

Date: March 30, 1999

By /s/ Gregory E. Abel
(Gregory E. Abel)
Chief Executive Officer

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

Signature	Title	Date
/s/ David L. Sokol * (David L. Sokol)	Chairman	March 30, 1999
/s/ Gregory E. Abel (Gregory E. Abel)	Chief Executive Officer and Director	March 30, 1999
/s/ Alan L. Wells (Alan L. Wells)	Senior Vice President and Chief Financial Officer	March 30, 1999
/s/ Wayne O. Smith (Wayne O. Smith)	Director	March 30, 1999
/s/ Ronald W. Stepien (Ronald W. Stepien)	Director	March 30, 1999
*By: /s/ Steven A. McArthur (Steven A. McArthur)	Attorney-in-Fact	March 30, 1999

EXHIBIT INDEX

Exhibits Filed Herewith

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

21 Subsidiaries of the Registrant.

23 Consent of PricewaterhouseCoopers LLP.

27 Financial Data Schedules (electronic filing only)

Exhibits Incorporated by Reference

3.3 Restated Articles of Incorporation of MidAmerican Energy Company, as amended October 27, 1998. (Filed as Exhibit 3.3 to MidAmerican's Quarterly Report on Form 10-Q for the period ended September 30, 1998, Commission File No. 1-11505.)

3.4 Restated Bylaws of MidAmerican Energy Company, as amended July 24, 1996. (Filed as Exhibit 3.1 to MidAmerican's Quarterly Report on Form 10-Q for the period ended June 30, 1996, Commission File No. 1-11505.)

4.2 General Mortgage Indenture and Deed of Trust dated as of January 1, 1993, between Midwest Power Systems Inc. and Morgan Guaranty Trust Company of New York, Trustee. (Filed as Exhibit 4(b)-1 to Midwest Resources Inc.'s Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-10654.)

4.3 First Supplemental Indenture dated as of January 1, 1993, between Midwest Power Systems Inc. and Morgan Guaranty Trust Company of New York, Trustee. (Filed as Exhibit 4(b)-2 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-10654.)

4.4 Second Supplemental Indenture dated as of January 15, 1993, between Midwest Power Systems Inc. and Morgan Guaranty Trust Company of New York, Trustee. (Filed as Exhibit 4(b)-3 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-10654.)

4.5 Third Supplemental Indenture dated as of May 1, 1993, between Midwest Power Systems Inc. and Morgan Guaranty Trust Company of New York, Trustee. (Filed as Exhibit 4.4 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-10654.)

4.6 Fourth Supplemental Indenture dated as of October 1, 1994, between Midwest Power Systems Inc. and Harris Trust and Savings Bank, Trustee. (Filed as Exhibit 4.5 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1994, Commission File No. 1-10654.)

4.7 Fifth Supplemental Indenture dated as of November 1, 1994, between Midwest Power Systems Inc. and Harris Trust and Savings Bank, Trustee. (Filed as Exhibit 4.6 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1994, Commission File No. 1-10654.)

4.8 Indenture of Mortgage and Deed of Trust, dated as of March 1, 1947. (Filed by Iowa-Illinois as Exhibit 7B to Commission File No. 2-6922.)

4.9 Sixth Supplemental Indenture dated as of July 1, 1967. (Filed by Iowa-Illinois as Exhibit 2.08 to Commission File No. 2-28806.)

4.10 Twentieth Supplemental Indenture dated as of May 1, 1982. (Filed as Exhibit 4.B.23 to Iowa-Illinois' Quarterly Report on Form 10-Q for the period ended June 30, 1982, Commission File No. 1-3573.)

4.11 Resignation and Appointment of successor Individual Trustee. (Filed by Iowa-Illinois as Exhibit 4.B.30 to Commission File No. 33-39211.)

4.13 Twenty-Eighth Supplemental Indenture dated as of May 15, 1992. (Filed as Exhibit 4.31.B to Iowa-Illinois' Current Report on Form 8-K dated May 21, 1992, Commission File No. 1-3573.)

4.14 Twenty-Ninth Supplemental Indenture dated as of March 15, 1993. (Filed as Exhibit 4.32.A to Iowa-Illinois' Current Report on Form 8-K dated March 24, 1993, Commission File No. 1-3573.)

4.15 Thirtieth Supplemental Indenture dated as of October 1, 1993. (Filed as Exhibit 4.34.A to Iowa-Illinois' Current Report on Form 8-K dated October 7, 1993, Commission File No. 1-3573.)

4.16 Sixth Supplemental Indenture dated as of July 1, 1995, between Midwest Power Systems Inc. and Harris Trust and Savings Bank, Trustee. (Filed as Exhibit 4.15 to MidAmerican's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)

4.17 Thirty-First Supplemental Indenture dated as of July 1, 1995, between Iowa-Illinois Gas and Electric Company and Harris Trust and Savings Bank, Trustee. (Filed as Exhibit 4.16 to MidAmerican's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)

10.1 MidAmerican Energy Company Severance Plan For Specified Officers dated November 1, 1996. (Filed as Exhibit 10.1 to Holdings' and MidAmerican's respective Annual Reports on the combined Form 10-K for the year ended December 31, 1996, Commission File Nos. 1-12459 and 1-11505, respectively.)

10.2 MidAmerican Energy Company Deferred Compensation Plan for Executives. (Filed as Exhibit 10.2 to MidAmerican's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)

10.3 MidAmerican Energy Company Supplemental Retirement Plan for Designated Officers. (Filed as Exhibit 10.3 to MidAmerican's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)

10.4 MidAmerican Energy Company Key Employee Short-Term Incentive Plan. (Filed as Exhibit 10.4 to MidAmerican's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)

10.5 Deferred Compensation Plan for Executives of Midwest Resources Inc. and Subsidiaries. (Filed as Exhibit 10.1 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 1-10654).

10.6 Deferred Compensation Plan for Board of Directors of Midwest Resources Inc. and Subsidiaries. (Filed as Exhibit 10.2 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1990, Commission File No. 1-10654).

10.7 Midwest Resources Inc. revised and amended Executive Deferred Compensation Plan for IOR and Subsidiaries, dated January 29, 1992. (Filed as Exhibit 10.5 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1991, Commission File No. 1-10654.)

10.8 Midwest Resources Inc. revised and amended Board of Directors Deferred Compensation Plan for IOR and Subsidiaries, dated January 29, 1992. (Filed as Exhibit 10.6 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1991, Commission File No. 1-10654.)

10.9 Midwest Resources Inc. Supplemental Retirement Plan (formerly the Midwest Energy Company Supplemental Retirement Plan). (Filed as Exhibit 10.10 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-10654.)

10.10 Power Sales Contract between Iowa Power Inc. and Nebraska Public Power District, dated September 22, 1967. (Filed as Exhibit 4-C-2 to Iowa Power Inc.'s (IPR) Registration Statement, Registration No. 2-27681.)

10.11 Amendments Nos. 1 and 2 to Power Sales Contract between Iowa Power Inc. and Nebraska Public Power District. (Filed as Exhibit 4-C-2a to IPR's Registration Statement, Registration No. 2-35624.)

10.12 Amendment No. 3 dated August 31, 1970, to the Power Sales Contract between Iowa Power Inc. and Nebraska Public Power District, dated September 22, 1967. (Filed as Exhibit 5-C-2-b to IPR's Registration Statement, Registration No. 2-42191.)

10.13 Amendment No. 4 dated March 28, 1974, to the Power Sales Contract between Iowa Power Inc. and Nebraska Public Power District, dated September 22, 1967. (Filed as Exhibit 5-C-2-c to IPR's Registration Statement, Registration No. 2-51540.)

10.14 Revised and amended Executive Deferred Compensation Plan for IOR and Subsidiaries, dated July 24, 1985. (Filed as Exhibit 10.22 to IOR's Annual Report on Form 10-K for the year ended December 31, 1985, Commission File No. 1-7830.)

10.15 Revised and amended Deferred Compensation Plan for Board of Directors of IOR and Subsidiaries, dated July 24, 1985. (Filed as Exhibit 10.22 to IOR's Annual Report on Form 10-K for the year ended December 31, 1985, Commission File No. 1-7830.)

10.16 Revised and amended Executive Deferred Compensation Plan for IOR and Subsidiaries, dated December 18, 1987. (Filed as Exhibit 10.15 to IOR's Annual Report on Form 10-K for the year ended December 31, 1987, Commission File No. 1-7830.)

10.17 Revised and amended Deferred Compensation Plan for Board of Directors of IOR and Subsidiaries, dated December 18, 1987. (Filed as Exhibit 10.16 to IOR's Annual Report on Form 10-K for the year ended December 31, 1987, Commission File No. 1-7830.)

10.18 Amendments to Midwest Resources Executive Deferred Compensation Plans, dated October 30, 1992. (Filed as Exhibit 10(h) to Midwest Resource's Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-10654.)

10.19 Supplemental Retirement Plan for Principal Officers, as amended as of July 1, 1993. (Filed as Exhibit 10.K.2 to Iowa-Illinois' Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-3573.)

10.20 Compensation Deferral Plan for Principal Officers, as amended as of July 1, 1993. (Filed as Exhibit 10.K.2 to Iowa-Illinois' Annual Report on Form 10-K for the year ended December 31, 1993, Commission File No. 1-3573.)

10.21 Board of Directors' Compensation Deferral Plan. (Filed as Exhibit 10.K.4 to Iowa-Illinois' Annual Report on Form 10-K for the year ended December 31, 1992, Commission File No. 1-3573.)

10.22 Amendment No. 1 to the Midwest Resources Inc. Supplemental Retirement Plan. (Filed as Exhibit 10.24 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1994, Commission File No. 1-10654.)

10.23 Deferred Compensation Plan of Midwest Energy Company and Subsidiary Corporations. (Filed as Exhibit 10.25 to Midwest Resources' Annual Report on Form 10-K for the year ended December 31, 1994, Commission File No. 1-10654.)

10.24 Form of Indemnity Agreement between MidAmerican Energy Company and its directors and officers. (Filed as Exhibit 10.37 to MidAmerican's Annual Report on Form 10-K dated December 31, 1995, Commission File No. 1-11505.)

10.25 MidAmerican Energy Company 1995 Long-Term Incentive Plan. (Filed as Exhibit 10(a) to Holdings' Registration Statement on Form S-4, File No. 333-01645.)

10.26 Amendment No. 5 dated September 2, 1997, to the Power Sales contract between MidAmerican Energy Company and Nebraska Public Power District, dated September 22, 1967. (Filed as Exhibit 10.2 to Holdings' and MidAmerican's respective Quarterly Reports on the combined Form 10-Q for the quarter ended September 30, 1997, Commission File Nos. 1-12459 and 1-11505, respectively.)

10.27 Amendment No. 1 dated October 29, 1997, to the MidAmerican Energy Company 1995 Long-Term Incentive Plan. (Filed as Exhibit 10.1 to Holdings' and MidAmerican's respective Quarterly Reports on the combined Form 10-Q for the quarter ended September 30, 1997, Commission File Nos. 1-12459 and 1-11505, respectively.)

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

EXHIBIT 12.1

MIDAMERICAN ENERGY COMPANY
COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES PLUS PREFERRED STOCK DIVIDEND REQUIREMENTS

(In Thousands)

(Unaudited)

	Twelve Months Ended December 31,1995			Twelve Months Ended December 31, 1994			Twelve Months Ended December 31, 1993		
		Supplemental (a)			Supplemental (a)			Supplemental (a)	
		Adjustment	As Adjusted		Adjustment	As Adjusted		Adjustment	As Adjusted
Income from continuing operations	$ 132,489	$ -	$ 132,489	$ 121,145	$ -	$ 121,145	$ 133,888	$ -	$ 133,888
Add (Deduct):									
Total income taxes	84,098	-	84,098	66,759	-	66,759	75,917	-	75,917
Interest on long-term debt	80,133	4,595	84,728	73,922	5,428	79,350	80,642	5,678	86,320
Other interest charges	9,396	-	9,396	6,639	-	6,639	5,068	-	5,068
Preferred stock dividends of subsidiary trust	-	-	-	-	-	-	-	-	-
Interest on leases	1,088	-	1,088	1,211	-	1,211	1,876	-	1,876
	174,715	4,595	179,310	148,531	5,428	153,959	163,503	5,678	169,181
Earnings available for fixed charges	307,204	4,595	311,799	269,676	5,428	275,104	297,391	5,678	303,069
Fixed Charges:									
Interest on long-term debt	80,133	4,595	84,728	73,922	5,428	79,350	80,642	5,678	86,320
Other interest charges	9,396	-	9,396	6,639	-	6,639	5,068	-	5,068
Preferred stock dividends of subsidiary trust	-	-	-	-	-	-	-	-	-
Interest on leases	1,088	-	1,088	1,211	-	1,211	1,876	-	1,876
Total fixed charges	90,617	4,595	95,212	81,772	5,428	87,200	87,586	5,678	93,264
Ratio of earnings to fixed charges	3.39	-	3.27	3.30	-	3.15	3.40	-	3.25
Preferred stock dividends of subsidiary	$ 8,059	$ -	$ 8,059	$ 10,551	$ -	$ 10,551	$ 8,367	$ -	$ 8,367
Ratio of net income before income taxes to net income	1.6348	-	1.6348	1.5511	-	1.5511	1.5670	-	1.5670
Preferred stock dividend requirements before income tax	13,175	-	13,175	16,366	-	16,366	13,111	-	13,111
Fixed charges plus preferred stock dividend requirements	103,792	4,595	108,387	98,138	5,428	103,566	100,697	5,678	106,375
Ratio of earnings to fixed charges plus preferred stock dividend requirements (pre-income tax basis)	2.96	-	2.88	2.75	-	2.66	2.95	-	2.85

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

EXHIBIT 12.1

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

	Twelve Months Ended December 31, 1998			Twelve Months Ended December 31, 1997			Twelve Months Ended December 31,1996		
		Supplemental (a)			Supplemental (a)			Supplemental (a)	
		Adjustment	As Adjusted		Adjustment	As Adjusted		Adjustment	As Adjusted
Income from continuing operations	$ 115,593	$ -	$ 115,593	$ 125,941	$ -	$ 125,941	$ 165,132	$ -	$ 165,132
Add (Deduct):									
Total income taxes	76,042	-	76,042	76,317	-	76,317	112,927	-	112,927
Interest on long-term debt	70,192	2,931	73,123	78,120	3,760	81,880	79,434	3,615	83,049
Other interest charges	14,128	-	14,128	10,027	-	10,027	10,842	-	10,842
Preferred stock dividends of subsidiary trust	7,980	-	7,980	7,980	-	7,980	288	-	288
Interest on leases	212	-	212	268	-	268	375	-	375
	168,554	2,931	171,485	172,712	3,760	176,472	203,866	3,615	207,481
Earnings available for fixed charges	284,147	2,931	287,078	298,653	3,760	302,413	368,998	3,615	372,613
Fixed Charges:									
Interest on long-term debt	70,192	2,931	73,123	78,120	3,760	81,880	79,434	3,615	83,049
Other interest charges	14,128	-	14,128	10,027	-	10,027	10,842	-	10,842
Preferred stock dividends of subsidiary trust	7,980	-	7,980	7,980	-	7,980	288	-	288
Interest on leases	212	-	212	268	-	268	375	-	375
Total fixed charges	92,512	2,931	95,443	96,395	3,760	100,155	90,939	3,615	94,554
Ratio of earnings to fixed charges	3.07	-	3.01	3.10	-	3.02	4.06	-	3.94
Preferred stock dividends of subsidiary	$ 4,952	$ -	$ 4,952	$ 6,488	$ -	$ 6,488	$ 10,401	$ -	$ 10,401
Ratio of net income before income taxes to net income	1.6578	-	1.6578	1.6060	-	1.6060	1.6839	-	1.6839
Preferred stock dividend requirements before income tax	8,209	-	8,209	10,420	-	10,420	17,514	-	17,514
Fixed charges plus preferred stock dividend requirements	100,721	2,931	103,652	106,815	3,760	110,575	108,453	3,615	112,068
Ratio of earnings to fixed charges plus preferred stock dividend requirements (pre-income tax basis)	2.82	-	2.77	2.80	-	2.73	3.40	-	3.32

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

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statement of MidAmerican Energy Company on Form S-3 (File No. 333-15387) of our report dated January 22, 1999, except with respect to Note (1)(a), as to which the date is March 12, 1999, on our audits of consolidated financial statements of MidAmerican Energy Company as of December 31, 1998 and 1997 and for the years ended December 31, 1998, 1997 and 1996, which report is included in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP

Kansas City, Missouri
March 31, 1999

EXHIBIT 21

SUBSIDIARIES OF MIDAMERICAN ENERGY COMPANY
AS OF DECEMBER 31, 1998

Subsidiary	Jurisdiction of Incorporation
CBEC Railway Inc.	Iowa
MidAmerican Energy Financing I	Delaware

As of the end of the year covered by this report, MidAmerican Energy Company's remaining subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as defined in Rule 1-02(w) of Regulation S-X.