SECTION 285.4080
REVISED SCHEDULE D-8
Security Quality Ratings
Test Year Ending December 31, 2008
Utility: MidAmerican Energy Company
Docket No. 09–0312

Individual Responsible: J. M. Behrens

a) Provide a history of the changes in the ratings of each class of security (i.e., senior and subordinated debt, preferred stock, and commercial paper), assigned by rating agencies engaged by the utility to rate its securities (i.e., Standard & Poor's, Moody's Investors Services, and Fitch Investor's Service or their successors), for the last five years in Schedule D-8.

See Work Paper WPD-8.1

b) Provide a copy of all credit rating analyses or reports on the utility and its parent, in the utility's possession, published during the last 12 months that describe security rating changes and the rationale for those changes.

See Work Paper WPD-8.2

c) Provide a copy of the last credit rating analysis or report on the utility and its parent, in the utility's possession, published by each rating agency engaged by the utility to rate its securities that comprehensively describes the utility's operation, financial condition, and regulatory environment.

See Revised WPD-8.3. MidAmerican Energy Company has added the requested report, the Summary Report from Standard and Poor's of 4/2/09 for MidAmerican Energy Company, to the original submission. It can be found as pages 1 to 6 of Revised WPD-8.3. Although this is a separate report on the Standard and Poor's web site, the entire set of information contained in this report was previously submitted by MidAmerican Energy Company in the original submission, as WPD-8.3, pages 1 through 8 of 40, labeled as Standard and Poor's Research Report, for MidAmerican Energy Company, also dated 4/2/09.

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April 2, 2009

Summary:
MidAmerican Energy Co.

Primary Credit Analyst:
Anne Selting, San Francisco (1) 415-371-5009; anne_selting@standardandpoors.com

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Summary:
MidAmerican Energy Co.

Credit Rating: A-/Stable/A-2

Rationale

The 'A-' rating on MidAmerican Energy Company (MEC) reflects its 'excellent' business profile, as evidenced by electric and gas utility operations that span multiple states and a regulatory environment that has supported its capital investment plans and its rate-making principles. MEC operates a operationally strong, low-cost generation fleet that has been augmented in recent years with new coal and wind plant projects. Against these benefits are the challenges the company has in managing fuel and purchased power costs, given a cap on retail rates in Iowa through 2013. MEC's 'aggressive' financial profile reflects the company's sizable and growing wholesale electric sales as a function of its long generation portfolio, its non-regulated retail electric service business, and the use of leverage as discussed below by its intermediate holding company.

MEC is owned by MHC Inc., which is a holding company that owns the common stock of MEC and four smaller subsidiaries. MHC Inc. is, in turn, owned by MidAmerican Funding LLC, a limited liability company that owns all common stock outstanding of MHC Inc. MidAmerican Funding conducts no business other than to manage its debt obligations and own MHC Inc. MEC's cash flows support the repayment of MidAmerican Funding LLC's $525 million senior notes that are rated 'BBB+' and secured by a pledge of MHC Inc. common stock. While legally MidAmerican Funding LLC is the obligor of these notes, this debt is effectively serviced with MEC's cash flows. Adding this debt to MEC's balance sheet weakens its standalone financial profile. MEC's long-term debt outstanding at year-end 2008 was $2.9 billion. MidAmerican Energy Funding LLC had $700 million outstanding as of the same date. (However, it repaid $175 million in March 2009.) It is important to note that financial results below are for MEC alone.

MidAmerican Funding LLC and its subsidiaries are owned by MidAmerican Energy Holdings (MEHC), which is, in turn, privately held and majority owned by Berkshire Hathaway (AAA/Negative/A-1+). In 2008, Berkshire had an 87.4% interest in MEHC on an undiluted basis. Remaining common equity is held by Walter Scott (10.9%) and two members of MEHC's executive management, Chairman of the Board David Sokol (0.7%) and President and Chief Executive Officer Greg Abel (1.0%). MEHC had nearly $20 billion of debt outstanding at year-end 2008.

MEHC's credit profile is supported by Berkshire, which has in place through February 2011 a $3.5 billion equity commitment agreement between itself and MEHC in which MEHC can unilaterally call upon to support either its debt repayment or the capital needs of its regulated subsidiaries, including PacifiCorp. We view this agreement between MEC's parent and a 'AAA' rated entity to reduce the likelihood of a MEC default. Nevertheless, we expect the utility to have a standalone credit profile consistent with its 'A-' rating. We take this view because the utility has no right to cause MEHC to make an equity contribution, either from MEHC or via Berkshire through an MEHC board request. While MEHC would typically have strong incentives to support the utility by tapping the Berkshire contingent equity, we would note that in a catastrophic utility event, MEHC would be expected to do so only if it were in the economic best interests of the parent and that it could elect to allow the utility to default if MEHC's equity investment would not be preserved, even with additional equity from Berkshire. Such a scenario is remote and would require an unprecedented event such as that which occurred during the western energy crisis, when regulators refused to allow utilities to recover power procurement costs.

MEC serves about 723,000 retail electric and 704,000 natural gas customers that are principally in Iowa but also extend into portions of Illinois and South Dakota (both electric and gas) and Nebraska (gas only). About 90% of MEC's retail electric and 77% of its retail gas sales are in Iowa, based on 2008 results. The company operates under a unique regulatory paradigm for its electric operations in which under an agreement approved by the Iowa Utilities Board, MEC has agreed not to request an increase in retail electric rates through 2013 unless its Iowa jurisdictional electric return on equity (ROE) falls below 10%. Equally, the Iowa Office of the Consumer Advocates has agreed not to request or support any rate decreases during this time.

This puts MEC at risk to manage its fuel and power costs within its current structure without the benefit of a power cost adjuster or true-up process. This risk is heightened as carbon regulation appears to be an increasing possibility.

The rate agreement also means that capital projects must be added to MEC's rate base without immediate rate relief. The utility is permitted to keep a portion of the returns it generates based on its achieved ROE. For example, if MEC earns less than 11.75% ROE it keeps 100% of its margins, but it shares increasingly larger portions with customers at higher ROE levels. MEC has generated robust ROEs since 2003, and in 2008 MEC's consolidated (e.g., across its electric and gas businesses) ROE was 14.1%. As part of a stipulation in place through 2010, any equity earned above 11.75% is not directly refunded to customers -- the "customer's" portion of excess earnings is instead used to offset MEC's new generation construction budget, providing a means for MEC to fund its capital program. (When new projects come online, the rate base is reduced by the amount of the customer's contribution.) After 2010, customers will receive refunds in their bills for any excess earnings (at specified levels depending on MEC's achieved ROE).

In addition, MEC has reached regulatory settlements to include new generation projects in its rate base, which addresses beforehand the authorized ROE for the projects, the revenue-sharing mechanisms, and other details. As a result, regulatory disallowance or adverse ex-post ratemaking is not a credit risk.

MEC has pursued a strategy of increasing its long power supply position. It owns 6,425 MW of generation. Against this, its summer peak in 2008 was 4,210 MW. On a capacity basis, its fleet has diversified with its wind generation build-out and is now approximately 52% coal, 21% natural gas, 20% wind, and 7% nuclear (Quad Cities No. 1 and 2). On a generation basis, however, the company is best viewed as long on base load coal. In 2008 about 59% of its total energy supplies (to both retail and wholesale customers) was coal fired, which excludes power purchases that the company does not break out by resource type. Despite the addition of significant wind generation, most of which was built in the last three years, the company's reported generation statistics from "other" sources (mostly wind) continued to be small, at 6% of MEC's total energy supplies based on 2008 results.

The portion of margin or net income that wholesale sales contributes to MEC's consolidated results is not disclosed as part of quarterly or annual filings. (While MEC provides gross margin, operating revenue, and earnings by business segment, regulated retail electric sales are combined with regulated wholesale electric sales.) But in 2008, about 42% of the company's 36,061 gigawatt-hours (GWh) of electric sales were from wholesale market sales, up from 38% in 2007 and 36% in 2006. Recently the company announced that it has reached a settlement with the Iowa Consumer Advocate to build up to 1,001 MW of additional wind projects by December 2012. Assuming a capacity factor of 35%, the planned addition of this much new wind generation (and assuming no other changes in the company's generation) would imply an increase in total GWh of power supplied of 9%. Given that retail load growth has historically been modest (around 1%) and is likely to slow given the recession, we view these possible wind generation additions to be dependent on wholesale power prices to recover their costs, which is true of an increasingly large portion of MEC's generation portfolio.

These statistics highlight the company's increasing need to manage its wholesale position to achieve credit-supportive financial performance, particularly if it continues to build new wind projects. To date, MEC's steady, double-digit ROEs and strong cash flows that have been sufficient to fund a portion of the company's sizable capital investment and speak to the company's success in managing its wholesale portfolio. But we would note that the company's customers have implicitly agreed to the utility assuming increasing amounts of wholesale generation risk in exchange for an absence of retail rate increases. The regulatory support the company currently enjoys could diminish if it finds itself, for whatever reason, unable to profit from its wholesale generation sales.

In 2008, non-regulated businesses contributed 8.7% of MEC's operating income, and 8.8% of earnings on common stock, up from 3% in 2006. These businesses principally consist of MEC selling competitive retail electricity in deregulated markets and also expose the company to a higher level of commodity risk than it would face if it pursued a strictly integrated utility strategy.

This year marks the tail end of what has been an intensive capital cycle for the company, which began in 2006. In 2008, its capital investment was $1.5 billion, relative to $1.3 billion in 2007 and $785 million in 2006. In mid-2007 the company brought online the 790 MW Walter Scott Jr. Energy Center. (MEC operates the plant and owns 479 MW.) It also added 202 MW of new wind generation, and in 2008, its investment largely related to the addition of 623 MW of new wind.

MEC's debt leverage as measured by adjusted debt to total capitalization increased sharply in 2008, relative to 2007, by almost 5% to 59%. While about 1% of this was due to higher off-balance-sheet adjustment we made in 2008 (pension obligations, for example, rose to $179 million in 2008 from $38 million in 2007), the majority of increase was due to increased company borrowings. MEC issued $350 million in June 2008 to fund its wind capital program and pay down short-term debt balances, and its short-term debt balances rose about $371 million (relative to 2007) to $457 million. We would expect the company to manage leverage down this year to close to 53%, which it has averaged over the prior three years ending in 2007. We would also note that if we attribute MidAmerican Funding LLC's debt obligations onto MEC's balance sheet, leverage is uncomfortably high for the existing rating category, and points to our limited tolerance for MEC to increase debt burdens as part of further capital investment for wind generation. Cash coverage metrics continue to be strong for the rating, with funds from operations (FFO) to total debt of 22% and FFO interest coverage of 5.5x.

Short-term credit factors

The company's liquidity position is strong. Its 'A-2' short-term rating reflects our view that while MEHC and its subsidiaries are supported by the $3.5 billion contingent equity agreement between MEHC and Berkshire, the agreement is not a source of instantaneous liquidity, allowing Berkshire up to 180 days to fund MEHC's request. Given the recent turmoil in both liquidity and capital markets, we have taken a firmer view on the need to link MEC's short-term ratings to its standalone credit quality, which supports an 'A-2' rating. However, we would note that while Berkshire contractually has up to six months to respond to an MEHC call for liquidity, it has strong economic incentives to do so.

MEC's cash and cash equivalents totaled $9 million as of Dec. 31, 2008. (MidAmerican Funding LLC, which includes MEC, cash, and cash equivalents totaled $10 million as of the same date.) In addition, the company has a $645 million unsecured revolving credit facility available through July 2012, which falls to $530 million July 2013, and a $250 million unsecured facility expiring in October 2009. (The one-year revolver has an interest rate that is linked to LIBOR plus a percentage of a credit derivative index but is subject to minimum and maximum LIBOR rates, thus reasonably collaring the interest rate risk that the company could be exposed to on the instrument.)

Both facilities support MEC's commercial paper program as well as $195 million in variable-rate tax-exempt bond obligations. At year-end the company's net liquidity was $257 million, consisting of $9 million in cash, and considering short-term borrowing of $457 million and considering the tax-exempt carve-out. MidAmerican Energy Funding's total net liquidity was $262 million, including a $4 million revolver at MHC Inc. MEC has no maturities due between 2009 and 2011, but $400 million due in 2012. Following the March 2009 repayment of $175 million at MidAmerican Funding, MEC has no maturities until 2011, when $200 million is due.

Outlook

The stable outlook for MEC and MidAmerican Funding LLC is predicated on MEC managing its leverage down in 2009 to a level consistent with the rating and close to 53%, which reflects its average leverage of the last few years. We intend to reassess the appropriateness of the stable outlook for MEC as it advances its decision-making on whether to build up to 1,001 MW of wind generation. This strategy, if pursued, has the potential to meaningfully add to an already long power supply portfolio, which appears to be increasingly dependent on wholesale power margins to sustain a regulatory framework that has worked well for customers and the company to date. Downward pressure on the rating could be realized if we determine that the MEC's projected reliance on wholesale gross margins is inconsistent with its 'A' category rating. Positive rating actions would, at a minimum, require MidAmerican Energy Funding LLC to pay down debt as it matures, as we view this debt to be serviced by MEC's cash flows.

STANDARD & POOR'S **RatingsDirect®** Global Credit Portal

Research

MidAmerican Energy Co.

02-Apr-2009

Major Rating Factors

Current Ratings
Corporate Credit Rating
A-/Stable/A-2

Strengths:

- A constructive regulatory environment in Iowa, which provides the company with about 90% of its regulated retail electric sales and 77% of its regulated retail gas sales, based on 2008 results;
- Good diversity of cash flows from its regulated retail gas and electric business, with about 80% of 2008 operating income stemming from regulated electric sales (which includes wholesale sales) and 11% from regulated natural gas sales, with the balance due to non-regulated operations;
- State policies that have minimized the regulatory risk of new construction, which has allowed the company to construct wind and coal generation based on terms authorized in advance; and
- Consistently strong returns on equity (ROEs) and cash flow metrics.

Weaknesses:

- The absence of fuel clauses for retail electric operations implies that the utility is at risk for cost escalation in fuel and purchased power;
- Risk for under-recovery of carbon costs if regulations become effective before 2014 -- under MEC's rate agreement it may not file for a rate case as a result of higher costs through 2013 unless its ROE falls below a 10% threshold;
- The portion of earnings from non-regulated energy businesses has grown, in part due to MEC's expansion into competitive retail electric markets; and
- The company is long on coal-fired generation and recently announced it may increase its wind generation by as much as another 1,000 MW. These additions increase the amount of power sales that the company makes through wholesale commodity sales.

Rationale

The 'A-' rating on MidAmerican Energy Company (MEC) reflects its 'excellent' business profile, as evidenced by electric and gas utility operations that span multiple states and a regulatory environment that has supported its capital investment plans and its rate-making principles. MEC operates a operationally strong, low-cost generation fleet that has been augmented in recent years with new coal and wind plant projects. Against these benefits are the challenges the company has in managing fuel and purchased power costs, given a cap on retail rates in Iowa through 2013. MEC's 'aggressive' financial profile reflects the company's sizable and growing wholesale electric sales as a function of its long generation portfolio, its non-regulated retail electric service business, and the use of leverage as discussed below by its intermediate holding company.

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$175 million in March 2009.) It is important to note that financial results below are for MEC alone.

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MEHC's credit profile is supported by Berkshire, which has in place through February 2011 a $3.5 billion equity commitment agreement between itself and MEHC in which MEHC can unilaterally call upon to support either its debt repayment or the capital needs of its regulated subsidiaries, including PacifiCorp. We view this agreement between MEC's parent and a 'AAA' rated entity to reduce the likelihood of a MEC default. Nevertheless, we expect the utility to have a standalone credit profile consistent with its 'A-' rating. We take this view because the utility has no right to cause MEHC to make an equity contribution, either from MEHC or via Berkshire through an MEHC board request. While MEHC would typically have strong incentives to support the utility by tapping the Berkshire contingent equity, we would note that in a catastrophic utility event, MEHC would be expected to do so only if it were in the economic best interests of the parent and that it could elect to allow the utility to default if MEHC's equity investment would not be preserved, even with additional equity from Berkshire. Such a scenario is remote and would require an unprecedented event such as that which occurred during the western energy crisis, when regulators refused to allow utilities to recover power procurement costs.

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These statistics highlight the company's increasing need to manage its wholesale position to achieve credit-supportive financial performance, particularly if it continues to build new wind projects. To date, MEC's steady, double-digit ROEs and strong cash flows that have been sufficient to fund a portion of the company's sizable capital investment and speak to the company's success in managing its wholesale portfolio. But we would note that the company's customers have implicitly agreed to the utility assuming increasing amounts of wholesale generation risk in exchange for an absence of retail rate increases. The regulatory support the company currently enjoys could diminish if it finds itself, for whatever reason, unable to profit from its wholesale generation sales.

In 2008, non-regulated businesses contributed 8.7% of MEC's operating income, and 8.8% of earnings on common stock, up from 3% in 2006. These businesses principally consist of MEC selling competitive retail electricity in deregulated markets and also expose the company to a higher level of commodity risk than it would face if it pursued a strictly integrated utility strategy.

This year marks the tail end of what has been an intensive capital cycle for the company, which began in 2006. In 2008, its capital investment was $1.5 billion, relative to $1.3 billion in 2007 and $785 million in 2006. In mid-2007 the company brought online the 790 MW Walter Scott Jr. Energy Center. (MEC operates the plant and owns 479 MW.) It also added 202 MW of new wind generation, and in 2008, its investment largely related to the addition of 623 MW of new wind.

MEC's debt leverage as measured by adjusted debt to total capitalization increased sharply in 2008, relative to 2007, by almost 5% to 59%. While about 1% of this was due to higher off-balance-sheet adjustment we made in 2008 (pension obligations, for example, rose to $179 million in 2008 from $38 million in 2007), the majority of increase was due to increased company borrowings. MEC issued $350 million in June 2008 to fund its wind capital program and pay down short-term debt balances, and its short-term debt balances rose about $371 million (relative to 2007) to $457 million. We would expect the company to manage leverage down this year to close to 53%, which it has averaged over the prior three years ending in 2007. We would also note that if we attribute MidAmerican Funding LLC's debt obligations onto MEC's balance sheet, leverage is uncomfortably high for the existing rating category, and points to our limited tolerance for MEC to increase debt burdens as part of further capital investment for wind generation. Cash coverage metrics continue to be strong for the rating, with funds from operations (FFO) to total debt of 22% and FFO interest coverage of 5.5x.

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The company's liquidity position is strong. Its 'A-2' short-term rating reflects our view that while MEHC and its subsidiaries are supported by the $3.5 billion contingent equity agreement between MEHC and Berkshire, the agreement is not a source of instantaneous liquidity, allowing Berkshire up to 180 days to fund MEHC's request. Given the recent turmoil in both liquidity and capital markets, we have taken a firmer view on the need to link MEC's short-term ratings to its standalone credit quality, which supports an 'A-2' rating. However, we would note that while Berkshire contractually has up to six months to respond to an MEHC call for liquidity, it has strong economic incentives to do so.

MEC's cash and cash equivalents totaled $9 million as of Dec. 31, 2008. (MidAmerican Funding LLC, which includes MEC, cash, and cash equivalents totaled $10 million as of the same date.) In addition, the company has a $645 million unsecured revolving credit facility available through July 2012, which falls to $530 million July 2013, and a $250 million unsecured facility expiring in October 2009. (The one-year revolver has an interest rate that is linked to LIBOR plus a percentage of a credit derivative index but is subject to minimum and maximum LIBOR rates, thus reasonably collaring the interest rate risk that the company could be exposed to on the instrument.)

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Outlook

The stable outlook for MEC and MidAmerican Funding LLC is predicated on MEC managing its leverage down in 2009 to a level consistent with the rating and close to 53%, which reflects its average leverage of the last few years. We intend to reassess the appropriateness of the stable outlook for MEC as it advances its decision-making on whether to build up to 1,001 MW of wind generation. This strategy, if pursued, has the potential to meaningfully add to an already long power supply portfolio, which appears to be increasingly dependent on wholesale power margins to sustain a regulatory framework that has worked well for customers and the company to date. Downward pressure on the rating could be realized if we determine that the MEC's projected reliance on wholesale gross margins is inconsistent with its 'A' category rating. Positive rating actions would, at a minimum, require MidAmerican Energy Funding LLC to pay down debt as it matures, as we view this debt to be serviced by MEC's cash flows.

Table 1

MidAmerican Energy Co. -- Financial Summary*

Industry Sector: Integrated

	--Fiscal year ended Dec. 31--				
	2008	2007	2006	2005	2004
Rating history	A-/Watch Neg/A-1	A-/Stable/A-1	A-/Stable/A-1	A-/Stable/A-1	A-/Stable/A-1
(Mil. $)					
Revenues	4,700.0	4,258.0	3,447.9	3,160.3	2,696.4
Net income from cont. oper.	343.0	326.0	266.7	221.3	210.5
Funds from oper. (FFO)	826.9	592.6	529.2	476.9	503.6
Capital expenditures (capex)	1,509.4	1,320.3	784.9	694.3	632.4
Cash and investments	9.0	11.0	23.8	96.3	127.6
Debt	3,737.8	2,752.2	2,100.1	2,009.1	1,721.2
Preferred stock	30.0	30.0	30.3	30.3	30.3
Common equity	2,599.0	2,318.0	1,981.1	1,775.0	1,532.0
Total capital	6,336.8	5,070.2	4,081.2	3,784.2	3,253.2
Adjusted ratios					
EBIT interest coverage (x)	3.6	4.0	4.3	4.3	4.6
FFO interest coverage (x)	5.5	4.8	5.2	5.5	6.5
FFO/debt (%)	22.1	21.5	25.2	23.7	29.3
Discretionary cash flow/debt (%)	(21.5)	(27.1)	(14.4)	(12.6)	(7.3)
Net cash flow/capex (%)	54.7	44.8	60.9	68.5	79.4
Debt/total capital (%)	59.0	54.3	51.5	53.1	52.9
Return on common equity (%)	12.4	12.6	11.5	11.3	12.8
Common dividend payout ratio (un-adj.) (%)	--	--	18.8	0.6	0.6

*Fully adjusted (including postretirement obligations)

Table 2

MidAmerican Energy Co. -- Peer Comparison*

Industry Sector: Integrated

	--Average of past three fiscal years--			
	MidAmerican Energy Co.	**Alliant Energy Corp.**	**OGE Energy Corp.**	**Wisconsin Public Service Corp.**
Rating as of March 31, 2009	A-/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	A-/Negative/A-2
(Mil. $)				
Revenues	4,135.3	3,492.9	3,958.0	1,593.0
Net income from cont. oper.	311.9	347.7	233.9	115.9
Funds from oper. (FFO)	649.6	681.1	490.8	287.7
Capital expenditures (capex)	1,204.9	695.0	744.1	269.9
Cash and investments	14.6	453.8	87.7	12.0
Debt	2,863.4	3,225.2	2,030.9	1,211.3
Preferred stock	30.1	121.9	-	34.1
Common equity	2,299.4	2,844.2	1,727.2	1,174.7
Total capital	5,162.7	6,069.4	3,758.1	2,386.0
Adjusted ratios				
EBIT interest coverage (x)	3.9	2.9	4.5	4.0
FFO interest coverage (x)	5.2	4.2	5.4	5.6
FFO/debt (%)	22.7	21.1	24.2	23.8
Discretionary cash flow/debt (%)	(21.5)	(8.1)	(16.1)	(10.1)
Net cash flow/capex (%)	52.4	78.6	49.2	72.1
Debt/total capital (%)	55.5	53.1	54.0	50.8
Return on common equity (%)	12.2	11.7	13.9	9.9
Common dividend payout ratio (un-adj.) (%)	16.1	43.8	53.4	80.7

*Fully adjusted (including postretirement obligations)

Table 3

Reconciliation Of MidAmerican Energy Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2008--							
MidAmerican Energy Co. reported amounts								
	Debt	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Capital expenditures**
Reported	3,322.0	868.0	868.0	587.0	142.0	715.0	715.0	1,471.0
Standard & Poor's adjustments								
Operating leases	133.3	17.5	6.0	6.0	6.0	11.5	11.5	54.4
Postretirement benefit obligations	179.4	(5.0)	(5.0)	(5.0)	--	(7.2)	(7.2)	--
Accrued interest not included in reported debt	44.0	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	16.0	(16.0)	(16.0)	(16.0)
Power purchase agreements	32.5	16.4	16.4	1.7	1.7	14.6	14.6	--
Asset retirement	26.7	11.0	11.0	11.0	11.0	(11.1)	(11.1)	--

obligations								
Reclassification of nonoperating income (expenses)	--	--	--	29.0	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	120.0	--
Total adjustments	415.8	39.9	28.4	42.8	34.8	(8.1)	111.9	38.4
Standard & Poor's adjusted amounts								

	Debt	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Capital expenditures
Adjusted	3,737.8	907.9	896.4	629.8	176.8	706.9	826.9	1,509.4

*MidAmerican Energy Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of 02-Apr-2009)*

MidAmerican Energy Co.	
Corporate Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BBB+
Senior Unsecured (9 Issues)	A-
Senior Unsecured (2 Issues)	A-/A-2
Corporate Credit Ratings History	
27-Mar-2009	A-/Stable/A-2
18-Sep-2008	A-/Watch Neg/A-1
26-Jul-2004	A-/Stable/A-1
Related Entities	
CE Casecnan Water and Energy Co. Inc.	
Senior Secured (1 Issue)	BB-/Stable
CE Electric U.K. Funding Co.	
Issuer Credit Rating	BBB+/Watch Neg/A-2
Senior Unsecured (1 Issue)	A/Negative
CE Generation LLC	
Senior Secured (1 Issue)	BB+/Stable
Cordova Energy Co. LLC	
Senior Secured (1 Issue)	BB/Stable
Iowa-Illinois Gas & Electric Co.	
Senior Unsecured (5 Issues)	A-/A-2
Kern River Gas Transmission Co.	
Senior Secured (2 Issues)	A-/Stable
MidAmerican Energy Holdings Co.	
Issuer Credit Rating	BBB+/Stable/--
Preferred Stock (2 Issues)	BBB-
Senior Unsecured (7 Issues)	BBB+

MidAmerican Funding LLC	
Senior Secured (2 Issues)	BBB+
Midwest Power Systems Inc.	
Senior Unsecured (1 Issue)	A-/A-2
Northern Electric Distribution Ltd.	
Issuer Credit Rating	A-/Watch Neg/--
Senior Unsecured (1 Issue)	A-
Northern Electric Finance PLC	
Senior Unsecured (1 Issue)	A/Negative
Northern Electric PLC	
Issuer Credit Rating	BBB+/Watch Neg/A-2
Senior Unsecured (1 Issue)	A-
Northern Natural Gas Co.	
Issuer Credit Rating	A/Stable/--
Senior Unsecured (5 Issues)	A
PacifiCorp	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BBB
Senior Secured (43 Issues)	A
Senior Secured (7 Issues)	A/Negative
Senior Secured (4 Issues)	AA-/Watch Dev
Senior Unsecured (1 Issue)	A-
Senior Unsecured (3 Issues)	A-/A-2
Senior Unsecured (2 Issues)	AA-/Watch Dev
Salton Sea Funding Corp.	
Senior Secured (3 Issues)	BBB-/Stable
Utah Power & Light Co.	
Senior Secured (1 Issue)	AAA/Watch Neg
Yorkshire Electricity Distribution PLC	
Issuer Credit Rating	A-/Watch Neg/A-2
Senior Unsecured (1 Issue)	A-/Watch Neg
Senior Unsecured (1 Issue)	A/Negative
Yorkshire Electricity Group PLC	
Issuer Credit Rating	BBB+/Watch Neg/--
Yorkshire Power Group Ltd.	
Issuer Credit Rating	BBB+/Watch Neg/A-2
Senior Unsecured (1 Issue)	BBB+/Watch Neg

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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Moody's Investors Service

Global Credit Research
Credit Opinion
17 OCT 2008

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Credit Opinion: MidAmerican Energy Company

MidAmerican Energy Company

Des Moines, Iowa, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A2
Senior Secured Shelf	(P)A1
Sr Unsec Bank Credit Facility	A2
Senior Unsecured	A2
Subordinate Shelf	(P)A3
Preferred Stock	Baa1
Commercial Paper	P-1
Ult Parent: Berkshire Hathaway Inc.	
Outlook	Stable
Issuer Rating	Aaa
ST Issuer Rating	P-1
Parent: MidAmerican Energy Holdings Co.	
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Preferred Shelf	(P)Baa3

Contacts

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Key Indicators

[1]
MidAmerican Energy Company

ACTUALS	LTM 6/30/08	2007	2006	2005
(CFO Pre-W/C + Interest) / Interest Expense [2]	5.3x	5.3x	5.7x	6.2x
(CFO Pre-W/C) / Debt [2]	23.4%	22.1%	27.3%	28.1%
(CFO Pre-W/C - Dividends) / Debt [2][3]	23.4%	22.0%	24.8%	28.1%
(CFO Pre-W/C - Dividends) / Capex [2][3]	59.0%	47.0%	66.1%	70.9%
Debt / Book Capitalization	49.3%	49.4%	45.1%	43.6%
EBITA Margin %	13.5%	14.1%	14.7%	14.2%

[1] All ratios are calculated using Moody's Standard Adjustments. [2] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items. [3] CFO pre-W/C-Dividends, is also referred to as retained cash flow ("RCF") in the Global Regulated Electric Utilities Rating Methodology.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Corporate Profile

MidAmerican Energy Company (MEC: A2 senior unsecured, stable outlook) is a vertically integrated electric and natural gas utility headquartered in Des Moines, Iowa. As a regulated utility, MEC distributes electricity and natural gas to retail customers in Iowa and portions of Illinois, South Dakota and Nebraska. The company also engages in non-regulated marketing of electricity and gas in Illinois, Michigan, Maryland, South Dakota and Nebraska. MEC is a direct wholly owned subsidiary of MidAmerican Funding LLC (MF: A3 senior unsecured, stable outlook), which is in turn owned by MidAmerican Energy Holdings Company (MEHC: Baa1 senior unsecured, stable outlook). MEHC is a consolidated subsidiary of Berkshire Hathaway Inc. (BRK: Aaa Issuer Rating, stable outlook).

Recent Events

On September 18, 2008, MEC's parent MEHC announced that it had reached a tentative agreement to acquire all of the outstanding shares of Constellation Energy Group, Inc. (Constellation: Baa2 senior unsecured, under review for possible downgrade) for cash consideration of $26.50 per share, or approximately $4.7 billion. The agreement was finalized upon the close of business Friday September 19, 2008. The companies anticipate the transaction could close within nine months and is subject to shareholder and regulatory approvals. The proposed acquisition will be funded via a capital contribution from BRK and is not anticipated to have any impact on the ratings or outlook of MEHC or MEC.

Rating Rationale

MEC's A2 rating for its senior unsecured obligations is driven by the stability of its regulated cash flows, the generally constructive regulatory environment in which it operates, financial credit metrics that are within the ranges demonstrated by U.S. integrated electric utilities rated A, and its position as an indirect subsidiary of MEHC. The rating also considers MEC's significant ongoing investment program in new generation sources, including coal and wind, in light of its supportive regulatory environment and balanced financing plan.

The A3 senior unsecured rating of MF reflects its structural subordination to the obligations of MEC. Given that MF is an intermediate holding company its primary source of funds is cash up-streamed from MEC.

The most important drivers of MEC and MF's ratings and outlook are as follows:

Reasonably Supportive Regulatory Environment

The vast majority of MEC's operations are regulated. In 2007, approximately 94% of MEC's gross margin was generated by regulated activities, which is slightly lower than the 97% contribution in 2006. The increase in MEC's non-regulated gross margin is due mainly to an increase in non-regulated retail electric sales volumes in Illinois, which as of January 1, 2007 became fully competitive. The ratings of MEC and MF acknowledge the relative stability and predictability of cash flows associated with its primarily regulated operations. The ratings also recognize the relatively constructive regulatory environments in which MEC operates.

MEC's primary utility operations are in Iowa, a jurisdiction that Moody's considers above average in the U.S. in terms of regulatory framework, development, consistency and predictability of decisions and timely recovery of costs. In 2007 approximately 90% of MEC's regulated electric and 77% of its regulated gas revenues were generated in Iowa, approximately 10% of electric and 12% of gas revenues were generated in Illinois, with the balance primarily coming from South Dakota.

In Iowa, MEC will continue to operate under an electric base rate stability plan through 2013. The stability plan includes an earnings-sharing mechanism that allows the company to retain 100% of its earnings if its ROE is lower than 11.75%, but requires that when earnings are in the range of 11.75% - 14% a progressively increasing portion is retained as a regulatory liability and used to offset the allowance for funds used during construction (AFUDC) and capital costs for new generation projects. The sharing mechanism is designed to reduce the need for rate increases that would otherwise be necessary to recover the costs associated with MEC's significant capital expenditure program. Revenue sharing has occurred in each of the past seven years with a total sharing of $320 million as of December 2007. The rate stability plan, which was originally implemented in 1997, also eliminated adjustment clauses for recovery of fuel and purchased power costs. The absence of a fuel pass through mechanism is a particular credit and liquidity concern in a period of rising costs; however, this risk is mitigated to a degree by MEC's predominately low-cost base load portfolio, and MEC's ability to request a base rate increase if its ROE falls below 10%.

In addition to the base rate mechanisms established in the rate stability plan, MEC is also allowed to seek Iowa Utilities Board (IUB) approval prior to construction of new base-load facilities greater than 300 MWs, combined-cycle plants, and alternative energy production facilities. For these facilities, the IUB may authorize a rate of return that is different than the return the utility is permitted to earn on existing generation assets. In past decisions, the IUB has approved ROEs that appear slightly above prevailing industry averages which Moody's considers to be supportive of ongoing capital investments. For example: MEC was allowed a 12.29% ROE on 479 MWs of the coal-fired Walter Scott, Jr. Energy Center Unit 4 completed in June 2007 and the IUB approved a settlement on August 27, 2008 that established an 11.70% ROE for MEC's planned 53 MW of new wind generation, which is similar to the settlements for 540 MWs of incremental wind generation approved in July 2007.

In its regulated gas business (16% of 2007 gross margin), as long as MEC follows prudent procurement practices, the utility is allowed to recover the cost of gas from all of its regulated customers through purchased gas adjustment clauses. In Iowa and South Dakota, which combined represented 89% of 2007 regulated gas revenue, MEC operates under an incentive supply procurement program that measures its actual cost of gas versus a benchmark reference price and, subject to certain tolerance bands and caps, shares a portion of the "savings" or "excess costs" with customers.

Well Diversified Generation Portfolio

MEC benefits from its predominately low-cost base-load generation portfolio. At the end of 2007, installed generation of 5,744 MWs included 3,300 MWs of coal-fired generation, 435 MWs of nuclear, 661 MWs of wind, and 1,340 MWs of gas/oil-fired. During the first half of 2008, MEC added 87 MW of new wind capacity and plans to add an additional 536 MW of wind capacity in the second half of 2008. Approximately 90% of the energy supplied by MEC-owned facilities in 2007 was from nuclear and coal-fired capacity.

Significant Construction Program Nearing Completion

In 2007, MEC completed construction of the Walter Scott, Jr. Unit 4 coal-fired power plant which provided 790 MW of total capacity (471 MEC owned). MEC's total cost for the project was approximately $870 million, including transmission and AFUDC. Also in 2007, MEC spent approximately $560 million on new wind capacity. For 2008, the utility has indicated it plans to spend an additional $1 billion on wind generation as it seeks to diversify its generation portfolio. As noted above, MEC has received what appears to be reasonable regulatory treatment for recovery of these incremental investments. MEC has also used a balanced approach toward the financing of these expenditures. Although the utility has issued a total of approximately $1 billion of new long-term debt in 2007 and 2008, it has also not paid significant dividends to its parent since 2003 when it implemented its significant capital expenditure program. Beyond 2008, we anticipate a significant reduction in MEC' capital expenditures as it will have essentially completed its current generation build-out program.

Financial Metrics

Although operating margins for MEC have been decreasing in light of rising fuel costs and debt has increased as a result of significant capital expenditures, its cash flow metrics remain in line with those of integrated electric companies operating in the U.S. rated in the mid A rating range with medium business risk according to the Moody's Rating Methodology for Global Regulated Electric Utilities. For example, over the last three years, MEC's ratio of cash from operations before changes in working capital (CFO pre-W/C) to Debt, adjusted in accordance with Moody's standard analytical adjustments, has been in the range of 22-28%. At MF, MEC's direct parent that relies on dividends from MEC to service its debt, the consolidated ratio of CFO pre-W/C to Debt has been in the range of 18-20%. For the twelve months ended June 30, 2008, CFO pre-W/C to Debt was 23.4% at MEC and 18.1% at MF. We anticipate MEC's and MF's financial metrics will improve moderately as its capital expenditures begin to decline and there will be less need for new debt financing. Beyond 2008, Moody's anticipates MEC's ratio of (CFO pre-W/C) to Debt to move back above 25% and MF's ratios to move above 22%.

Liquidity Profile

MEC's Prime-1 rating for its short term obligations recognizes the utility's overall financial strength and reflects the relatively stable and predictable cash flows provided by its regulated operations.

In 2007, cash flow from operations of $599 million covered approximately 46% of MEC's outlays including $1.3 billion for capital expenditures and $1 million of dividends to MF. The cash shortfall was funded with proceeds from a $400 million senior unsecured debt issuance in June and a $250 million senior unsecured issuance in July along with short-term borrowings.

For the full year of 2008, capital expenditures are currently projected to be approximately $1.5 billion including approximately $1 billion for additional wind capacity, which will once again significantly exceed cash flow from operations. The cash shortfall is likely to be funded primarily with external sources of cash, including long and short term debt. In March 2008, MEC issued $350 million of senior unsecured notes.

Beyond 2008, Moody's does not anticipate significant capital investment projects or external funding requirements for MEC, as cash from operations is expected to exceed base capital expenditures of approximately $300- 400 million per year. Excess cash may be utilized for the payment of dividends to MF.

MEC's short-term borrowings are supported by a revolving credit agreement that was increased from $500 million to $650 million in April 2008. The facility is available through July 2012 after which availability is reduced to $535 million through July 2013. A subsidiary of Lehman Brothers is a lender under the facility so the size of the facility may be modestly reduced by Lehman's approximate $5million commitment. MEC relies upon its revolving credit agreement for daily liquidity requirements and to backstop its $455 million commercial paper program. The facility also supports approximately $195 million of MEC's variable rate pollution control revenue obligations. In addition, in October 2008, MEC entered into a $250 million 364-day bilateral credit facility. The facilities do not contain any rating triggers that would cause acceleration or make the facility unavailable and they do not require any MAC representation for borrowings. However, the syndicated facility does contain a rating sensitive pricing grid and a financial covenant that limits debt to 65% of total capitalization. As of June 30, 2008, MEC's debt to capitalization ratio as defined in the agreement was 53% while availability under the credit facility stood at approximately $530 million.

MEC's liquidity profile is further supported by an equity commitment agreement, expiring February 28, 2011, between MEHC, MEC's indirect parent and BRK, MEC's ultimate parent, under which BRK has committed to provide up to $3.5 billion in equity to MEHC. Equity may be requested to fund MEHC's debt obligations or to provide capital to MEHC's regulated subsidiaries, including MEC.

MEC has no significant debt maturities until 2012. Since 2000, the company extended the weighted average life of its debt from approximately 6 years to approximately 15 years and reduced the weighted average cost by over 100 basis points to approximately 5.6%.

MEC does not guarantee the long-term debt of its direct parent holding company, MF whose primary source of cash is up-streamed dividends from MEC. MF has $175 million of Senior Notes due in March 2009. Repayment is currently anticipated to come primarily from dividends up-streamed from MEC. Interest requirements in 2008 are expected to be approximately $47 million, including $11 million for the Notes maturing in 2009. MF does not have its own separate credit facility nor can it directly borrow under MEC's credit facility or benefit directly from the $3.5 billion equity commitment from BRK given that it is not a regulated utility.

Despite the expected continuation of negative free cash flow at MEC through 2008, the overall liquidity position of MEC and MF is considered adequate particularly due to the underlying $3.5 billion equity commitment agreement with BRK.

Rating Outlook

The rating outlook is stable for both MF and MEC given the stability of MEC's cash flow streams and the support of the regulatory environment in its service region. It also incorporates Moody's expectation that going forward, the company's capital expenditure program will be significantly smaller and that it will be financed in a manner consistent with improving its current credit profile.

What Could Change the Rating - Up

The ratings could be upgraded as a result of more favorable regulatory treatment or cost cutting measures resulting in a significant reduction in leverage such that there would be a sustained improvement in financial credit metrics as demonstrated, for example, by a ratio of CFO pre-WC to debt, calculated in accordance with Moody's standard analytical adjustments, being in the range of 30% at MEC and above the mid 20% range at MF.

What Could Change the Rating - Down

The ratings could be adjusted downward if there were to be significant increases in MEC's operating costs or in its capital expenditure program, or if MEC's planned capital expenditures are funded in a manner inconsistent with its current rating level, or if there were to be adverse regulatory rulings which would result in a sustained deterioration in financial metrics as demonstrated, for example, by a ratio of CFO pre-WC to debt falling below 25% at MEC or below 20% at MF for an extended period.

Rating Factors

MidAmerican Energy Company
600016521
Select Key Ratios for Global Regulated Electric Utilities

Rating	Aa	Aa	A	A	Baa	Baa	Ba	Ba
Level of Business Risk	**Medium**	**Low**	**Medium**	**Low**	**Medium**	**Low**	**Medium**	**Low**
CFO pre-W/C to Interest (x) [1]	>6	>5	3.5-6.0	3.0-5.7	2.7-5.0	2-4.0	<2.5	<2
CFO pre-W/C to Debt (%) [1]	>30	>22	22-30	12-22	13-25	5-13	<13	<5
CFO pre-W/C - Dividends to Debt (%) [1]	>25	>20	13-25	9-20	8-20	3-10	<10	<3
Total Debt to Book Capitalization (%)	<40	<50	40-60	50-75	50-70	60-75	>60	>70

[1] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items

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RESEARCH

MidAmerican Energy Co.

Publication date: 26-Nov-2008
Primary Credit Analyst: Anne Selting, San Francisco (1) 415-371-5009; anne_selting@standardandpoors.com

Major Rating Factors

Corporate Credit Rating
A-/Watch Neg/A-1

Strengths:

- A constructive regulatory environment in Iowa, which provides the company with about 90% of its regulated retail electric sales and 77% of its regulated retail gas sales, based on 2007 results;
- Good diversity of cash flows from its regulated retail gas and electric business, with about 78% of 2007 operating income stemming from regulated electric sales (which includes wholesale sales) and 10% from regulated natural-gas sales (the balance is non-regulated operations);
- State policies that have minimized the regulatory risk of new construction, which has allowed the company to construct wind and coal generation based on terms authorized in advance; and
- Relative to other Midwest utilities, above-average diversity in its owned generation, with 76% of 2007 generation from coal, 14% from nuclear, 4% from natural gas, and 6% from wind and hydro. Owned generation resources supplied about 74% of wholesale and retail electric supply requirements in the same year, with long-term and spot purchases making up the balance.

Weaknesses:

- The absence of fuel clauses for retail electric operations implies that the utility is at risk for cost escalation in fuel and purchased power, although under its Iowa rate agreement through 2013 it can file a rate case if its return on equity (ROE) falls below a 10% threshold;
- The portion of earnings from non-regulated energy businesses is growing, in part due to MEC's expansion into competitive retail electric markets in Illinois. In 2007, non-regulated businesses contributed 11% of earnings on common stock, up from 3% in 2006. Year to date through Sept. 30, 2008, non-regulated businesses contributed 9% of earnings on common stock;
- The company is long on coal-fired generation and with the addition of the Walter Scott Jr. 4 coal plant in mid-2007 and 536 MW of new wind projects expected to be added in 2008 the company will be significantly long on generation for the foreseeable future.

Rationale

The 'A-' rating on MidAmerican Energy Company (MEC) reflects its vertically integrated gas and electric utility operations that benefit from a supportive regulatory environment and geographic and market diversity due to both a gas and electric service territory for retail customers in multiple states. MEC's rating also benefits from its low-cost generation fleet that has been augmented in recent years with new coal and wind plant projects. Against these benefits are the challenges the company has in managing fuel and purchased power costs, given a cap on retail rates in Iowa through 2013. The company makes sizable wholesale electric sales out of its surplus generation base, which introduces incremental commodity price exposure to cash flows, as does its small but growing business of providing competitive electric service to customers in states that have deregulated retail electric markets.

Ratings are also tied to implicit and explicit support available to MEC's parent, MidAmerican Energy Holdings (MEHC). MEHC is 88% owned by Berkshire Hathaway Inc. (AAA/Stable/A-1+); the balance of MEHC is owned by four individuals, who are part of MEHC's senior management team or serve on its board. Berkshire has a $3.5 billion equity commitment agreement with MEHC through 2011 that MEHC can unilaterally call upon to support the ratings of MEHC or its regulated subsidiaries, including MEC. Standard & Poor's Ratings Services views this agreement from a 'AAA' rated entity to greatly reduce the likelihood of a default at the utility or its parent.

The CreditWatch listing reflects the September announcement by MEHC that it intends to acquire Constellation Energy Group (BBB/Watch Dev) for $4.7 billion. The transaction requires shareholder and regulatory approvals. The shareholder vote has been scheduled for Dec. 23, 2008, but it is expected that regulatory approval will not be in hand before the late ng, at the earliest. We view the acquisition as imposing substantially greater business risks on parent MEHC. Heretofore, ... company has built its operations through acquisitions, but these have been solidly investment-grade companies in the regulated energy and electric sector. While the Constellation sale includes utility Baltimore Gas & Electric, this business is dwarfed by a large merchant and trading business that defines the company. Constellation earned about earned 85% of its net income in 2007 from unregulated activities in 2007. In recent months Constellation's liquidity position and a general crisis of confidence amongst counterparties jeopardized Constellation's existence and led it into a merger agreement with MEHC.

While Constellation has announced efforts to exit businesses and de-risk its trading operations, as it currently stands, the acquisition creates downward pressure on MEHC's ratings due to heightened risks to the business and financial profile. While MEC has in place structural protections that insulate it from MEHC, the credit quality of the parent is not completely divorced from that of the subsidiaries. Moreover, with the potential increase in MEHC's scale with the acquisition, the contingent equity commitment may no longer be adequate in size, tenor, and terms to accommodate the needs of regulated subsidiaries such as MEC. As result, the MEHC acquisition could have rating impacts on its subsidiaries, even those that are properly ring-fenced.

MEC is wholly owned by MidAmerican Funding LLC through an intermediate company, MHC Inc. MidAmerican Funding conducts no business other than to manage its debt obligations and own MHC Inc. Company financial statements provide consolidated results for MidAmerican Funding and stand-alone financial results for MEC. While nearly all of MidAmerican Funding's operating revenues are from MEC, MHC Inc. also operates four small, unregulated companies engaged in various businesses outside of the energy sector. (These businesses are not material and year to date through Sept. 30 contributed less than 0.5% to net income and have assets totaling just $19 million, relative to consolidated assets of $9.4 billion.)

Both MidAmerican Funding and MEC have debt outstanding. As of Sept. 30, 2008, MEC's stand-alone debt, including current maturities and preferred stock, was approximately $3.1 billion, including notes payable. MidAmerican Funding has an additional $700 million in obligations outstanding. Consolidated long-term debt at MEHC was more than $20 billion as of the same date. (It is important to note that financial results below are for MEC.)

serves about 720,000 retail electric and 702,000 natural-gas customers that are principally in Iowa but also extend into portions of Illinois and South Dakota (both electric and gas) and Nebraska (gas only). About 90% of MEC's retail electric and 77% of its retail gas sales are in Iowa, based on 2007 results. MEC's operations are characterized by modest customer growth that averages around 1% per year for both electric and gas, competitive electric production costs, and low industrial user rates.

MEC's most notable credit attribute of late is the large capital investment it is making to continue to build on its long generation position. Its capital program is expected to peak at $1.5 billion in 2008, up from its initial estimates of $1.1 billion and a larger figure than it spent in 2007 when it invested about $1.1 billion in capital mostly devoted to build wind projects and bring online the 790 MW Walter Scott Jr. Energy Center in June 2007. (MEC operates the plant and owns 479 MW.) This year's investments have been largely for constructing owned wind generation projects, which is estimated to account for about $1 billion of its spend. To date through September, the company has added 87 MW of wind generation; by year-end it expects to bring on line another 536 MW. If completed as scheduled, MEC will own 1,234 MW of operating wind projects by year-end.

MEC has reached regulatory settlements to include wind projects in its rate base which addresses beforehand the authorized return on equity (ROE) for the projects, the revenue sharing mechanisms (discussed below) for the projects and other details. As a result, regulatory disallowance or adverse ex-post ratemaking is not a credit risk. More broadly, MEC operates under a unique rate agreement, approved by the Iowa Utilities Board, in which MEC has agreed not to request a general increase in retail electric rates through 2013 unless its Iowa jurisdictional electric ROE falls below 10%. Equally, the Iowa Office of the Consumer Advocates has agreed not to request or support any rate decreases during this time.

This puts MEC at risk to manage its costs, including generation additions, underneath its current structure. And capital projects must be added to MEC's rate base with the provision that there is no overall increase in retail customer rates through 2013. But at the same time, the utility is permitted to keep a portion of the returns it generates based on its achieved ROE. For example, if MEC earns less than 11.75% ROE it keeps 100% of its margins, but shares increasingly larger portions with customers at higher ROE levels. MEC has generated robust ROEs since 2003.

ddition, as part of a stipulation in place through 2010, MEC relies on customer contributions to help fund its capital investment. From 1998 to 2000 MEC provided refunds to its retail electric customers stemming from earned ROE that was in excess of 11.75%. Since 2001 MEC has been allowed to keep the incremental cash flow associated with any excess earnings according to the ROE formula. These excess earnings are used to offset its new generation construction budget, are booked as a regulatory liability on its balance sheet, and have provided cash flows to MEC during its large capital program. When new projects come on line, the rate base is reduced by the amount of the customer's contribution.

With respect to MEC's natural-gas operations, purchased gas clause adjustment mechanisms exist in all jurisdictions. Iowa and South Dakota have an incentive procurement program in which MEC shares a portion of savings with customers for gas procurement costs relative to a reference price. The program is in place through October 2010. As a result of these adjusters, gross margins year to date for the regulated natural-gas business have been in line with 2007, despite sizable ıgs in commodity natural-gas costs.

MEC is long on capacity and energy and will be more so by year-end if its wind generation goals are realized. MEC's net summer 2007 accredited capacity (including capacity purchases and sales) was 5,304 MW against a 2007 peak of 4,240 MW. On a volumetric basis, in 2007 the company sold nearly 34,000 gigawatt-hours (GWh) of power, of which only 21,000 megawatt-hours, or 62%, was for retail sales, with the balance sold to wholesale markets. Because MEC's share of the 479 MW new coal plant was not operating until midyear, in 2008 it is expected that the portion of sales dedicated to the wholesale market will increase. While generation statistics are not published quarterly, year to date through Sept. 30, 2008, the company made nearly 27,000 GWh of electric sales, of which 16,000 GWh were needed for retail. The balance, or about 40%, was sold into wholesale markets and as such can be considered residual of retail load requirements. Assuming a capacity factor of 35% the planned addition of 536 MW of new wind generation added in 2008 would imply 2009 generation will be increased by about another 1,643 GWh per year in 2009, all else equal.

These statistics highlight the increasing reliance the company has on managing its wholesale position to achieve credit-supportive financial performance. While load growth will over time reduce the share of wholesale sales to total sales, the current economic climate suggests that this will not be a near-term phenomena. The portion of margin or net income that these operations contribute to MEC consolidated results is not disclosed as part of quarterly or annual filings. (While MEC provides gross margin, operating revenue and earnings by business segment, regulated retail electric sales are combined with regulated wholesale electric sales. For example, for the nine months ended Sept. 30, the company's gross margin from regulated electric sales is $956 million, but the component associated with wholesale sales is not provided.) Historically wholesale sales have provided from 8%-10% of MEC's gross margins but are expected to grow as a function of the growth in MEC's long position.

We also would note that MEC's unregulated businesses, which principally consist of MEC selling competitive retail electricity in deregulated markets, also expose the company to a higher level of commodity risk than it would face if it pursued a strictly integrated utility strategy. Unregulated energy operations have contributed about 9% to MEC consolidated operating income and earnings on common stock.

ıd-alone financial performance for MEC remains solid at the current level, although year-to-date results are weaker than 2007. Net income for the nine months ended Sept. 30, 2008, dropped to $265 million relative to $276 million for the same period in 2007. Primary drivers were higher maintenance expense (caused by emergency response and service restoration requirements that followed significant summer storms) and by larger interest expense due to increases in MEC's debt outstanding. Trailing 12-month results ended Sept. 30, 2008, are 21% for adjusted funds from operations (FFO) to total debt, and 4.9x FFO interest coverage. Adjusted leverage climbed to nearly 57%. Cash flow results were boosted substantially in the third quarter by a large increase for deferred taxes ($145 million through Sept. 30, 2008, relative to $13 million for the same period in 2007), which propped up operating cash flows to $581 million, relative to $511 million for the same period in 2007.

Our ratings reflect that MEC's capital program would put some pressure on MEC financial ratios for 2008. However, we would not expect MEC to operate at current leverage levels indefinitely, and expect to see over the next few years debt balances managed back down to closer to the range of 50% fully adjusted.

Changes in environmental regulations, including federal or state carbon mandates, could be a significant cost driver for MEC, however if carbon costs are imposed on the company before 2013, it could utilize its opportunity to file a rate case if its ROE drops below 10%.

Short-term credit factors

The company's liquidity position is solid and its 'A-1' short-term rating considers the equity commitment of MEHC's ultimate parent, Berkshire Hathaway, to which it has strong ties. Without these ties, the short-term rating on the company would be 'A-2'. Berkshire Hathaway's extremely strong liquidity position is assumed to be available to MEC via MEHC in the unlikely event that it could not repay its commercial paper (CP) or other short-term obligations. Explicit support exists via the equity commitment agreement between Berkshire Hathaway and MEHC that could be called upon to support the liquidity requirements of MEHC's regulated subsidiaries, including MEC. However, because Berkshire has up to 180 days to provide contingent equity at the request of MEHC's board, strong internal liquidity is also required to support the short-term rating.

MidAmerican Funding (which includes MEC) cash and cash equivalents totaled $14 million as of Sept. 30, 2008. In addition, the company has a $650 million unsecured revolving credit facility, which was upsized from $500 million in April 2008. However, the September 2008 bankruptcy of Lehman Brothers Bank FSB reduced capacity by $5 million to $645 million. The facility supports $195 million in variable-rate tax-exempt bond obligations. Including this carve out and considering that as of Sept. 30, short-term borrowing and CP issuance totaled $235 million; MEC has $215 million in available capacity. In October 2008 the company closed on an additional one-year revolving credit agreement to support general liquidity needs as well as the company's wind generation buildout.

MidAmerican Energy Funding has $175 million of its $700 million debt outstanding due in March 2009. MEC has no maturities until 2012, when $400 million is due.

Table 1

MidAmerican Energy Co. -- Financial Summary*

Industry Sector: Combo

	--Fiscal year ended Dec. 31--				
	2007	**2006**	**2005**	**2004**	**2003**
Rating history	A-/Stable/A-1	A-/Stable/A-1	A-/Stable/A-1	A-/Stable/A-1	A/Stable/A-1
(Mil. $)					
Revenues	4,258.0	3,447.9	3,160.3	2,696.4	2,595.8
Net income from continuing operations	326.0	266.7	221.3	210.5	188.6
Funds from operations (FFO)	592.6	529.2	476.9	503.6	470.2
Capital expenditures	1,320.3	784.9	694.3	632.4	349.9
Cash and short-term investments	11.0	23.8	96.3	127.6	3.2
Debt	2,752.2	2,100.1	2,009.1	1,721.2	1,539.2
Preferred stock	30.0	30.3	30.3	30.3	31.8
Equity	2,318.0	1,981.1	1,775.0	1,532.0	1,269.0
Debt and equity	5,070.2	4,081.2	3,784.2	3,253.2	2,808.2
Adjusted ratios					
EBIT interest coverage (x)	4.0	4.3	4.3	4.6	4.8
FFO int. cov. (x)	4.8	5.2	5.5	6.5	6.3
FFO/debt (%)	21.5	25.2	23.7	29.3	30.5
Discretionary cash flow/debt (%)	(27.1)	(14.4)	(12.6)	(7.3)	(6.8)
cash flow / capex (%)	44.8	60.9	68.5	79.4	80.4
Debt/debt and equity (%)	54.3	51.5	53.1	52.9	54.8
Return on common equity (%)	12.6	11.5	11.3	12.8	13.0
Common dividend payout ratio (un-adj.) (%)	0.0	18.8	0.6	0.6	100.9

*Fully adjusted (including postretirement obligations).

Table 2

MidAmerican Energy Co. -- Peer Comparison*

Industry Sector: Combo

	MidAmerican Energy Co.	**Alliant Energy Corp.**	**OGE Energy Corp.**	**Wisconsin Public Service Corp.**
Rating as of Nov. 20, 2008	A-/Watch Neg/A-1	BBB+/Stable/A-2	BBB+/Positive/A-2	A/Stable/A-2
	--Average of past three fiscal years--			
(Mil. $)				
Revenues	3,622.1	3,358.9	4,583.8	1,495.1
Net income from cont. oper.	271.3	273.1	212.1	100.0
Funds from operations (FFO)	532.9	630.4	390.5	224.6
Capital expenditures	933.1	493.2	447.1	310.1
Cash and short-term investments	43.7	406.6	38.4	9.8
Debt	2,287.2	3,233.0	1,658.6	1,111.7
Preferred stock	30.2	121.9	0.0	42.7
Equity	2,024.7	2,665.6	1,490.0	1,076.1
t and equity	4,311.9	5,898.6	3,148.6	2,187.9
Adjusted ratios				
EBIT interest coverage (x)	4.2	2.7	4.6	3.8
FFO int. cov. (x)	5.1	3.9	4.9	4.7
FFO/debt (%)	23.3	19.5	23.5	20.2

Discretionary cash flow/debt (%)	(18.9)	(0.2)	(5.4)	(17.4)
Net cash flow / capex (%)	55.2	102.7	60.1	43.6
Total debt/debt plus equity (%)	53.0	54.8	52.7	50.8
urn on common equity (%)	11.8	9.7	13.9	9.2
Common dividend payout ratio (un-adj.) (%)	6.3	51.1	57.6	89.5

*Fully adjusted (including postretirement obligations).

Table 3

Reconciliation Of MidAmerican Energy Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2007--							
MidAmerican Energy Co. reported amounts								
	Debt	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Capital expenditures**
Reported	2,557.0	781.0	781.0	513.0	113.0	599.0	599.0	1,298.0
Standard & Poor's adjustments								
Operating leases	90.3	14.4	4.5	4.5	4.5	9.9	9.9	40.3
Postretirement benefit obligations	37.7	2.0	2.0	2.0	--	(8.5)	(8.5)	--
Capitalized interest	--	--	--	--	18.0	(18.0)	(18.0)	(18.0)
Power purchase agreements	46.4	2.8	2.8	2.8	2.8	--	--	--
Asset retirement obligations	20.8	10.0	10.0	10.0	10.0	(5.9)	(5.9)	--
Reclassification of operating ome (expenses)	--	--	--	56.0	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	16.0	--
Total adjustments	195.2	29.2	19.3	75.3	35.3	(22.4)	(6.4)	22.3
Standard & Poor's adjusted amounts								
	Debt	**Operating income (before D&A)**	**EBITDA**	**EBIT**	**Interest expense**	**Cash flow from operations**	**Funds from operations**	**Capital expenditures**
Adjusted	2,752.2	810.2	800.3	588.3	148.3	576.6	592.6	1,320.3

*MidAmerican Energy Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of 26-Nov-2008)*

MidAmerican Energy Co.	
Corporate Credit Rating	A-/Watch Neg/A-1
Commercial Paper	
Local Currency	A-1/Watch Neg
Preferred Stock (1 Issue)	BBB+/Watch Neg
Senior Unsecured (2 Issues)	A-/A-1
Senior Unsecured (9 Issues)	A-/Watch Neg
rporate Credit Ratings History	
18-Sep-2008	A-/Watch Neg/A-1
26-Jul-2004	A-/Stable/A-1
08-Mar-1999	A/Stable/A-1
Related Entities	
MidAmerican Funding LLC	

Senior Secured (2 Issues)	BBB+/Watch Neg
Senior Unsecured (1 Issue)	BBB+/Watch Neg

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are ~~parable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that ~~cific country.

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Corporates

Global Power
U.S. and Canada
Credit Update

MidAmerican Energy Co. and MidAmerican Funding LLC

Subsidiaries of MidAmerican Energy Holdings Co.

Ratings

Security Class	Current Rating
MidAmerican Energy Co.	
IDR	A-
Senior Unsecured	A
Preferred Stock	A-
Short-Term IDR	F1
MidAmerican Funding LLC	
IDR	BBB+
Senior Secured	A-

Outlook

Stable

Financial Data

MidAmerican Energy Co.
($ Mil.)

	6/30/08	12/31/07
Revenue	4,504	4,258
Gross Margin	1,557	1,519
Cash Flow from Operations	549	599
Operating EBITDA	805	781
Total Debt	2,819	2,565
Total Capitalization	5,284	4,876
ROE (%)	13.39	15.25
Capex/ Depreciation (%)	441.9	484.3

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Related Research

- *MidAmerican Energy Holdings Co., Sept. 2, 2008*
- *MidAmerican Energy Co. and MidAmerican Funding LLC, Aug. 23, 2007*

Profile

MEC, an indirect wholly owned subsidiary of MEHC, is a regulated electric and gas utility serving approximately 1.4 million customers primarily in Iowa, Illinois, South Dakota and Nebraska.

Rating Rationale

- Fitch Ratings affirmed the ratings of and Stable Outlook for MidAmerican Energy Co. (MEC) and MidAmerican Funding, LLC (Funding) on Aug. 13, 2008.
- The ratings affirmation for MEC and Funding reflect the utility's low business risk profile, strong credit metrics, low debt leverage and a relatively supportive regulatory environment in Iowa, which is MEC's largest jurisdiction.
- MEC further benefits from a solid competitive position and stable operating performance. Funding's ratings are based on the credit quality of MEC, which is the primary source of cash flow to service debt obligations, as well as downstream support and resources from MEC's principal shareholder, Berkshire Hathaway, Inc. (BRK, rated 'AAA' with a Stable Outlook). Although Funding's debt is structurally subordinated to the liabilities and claims of MEC, the dividend stream provided by MEC's utility operations are sufficient to support the 'A-' senior secured rating.
- Primary rating concerns include relatively high projected capital expenditures through 2009, risk of potential cost over-runs and moderate commodity exposure due to a lack of an electric fuel adjustment clause in Iowa and Illinois. However, the absence of a fuel clause is mitigated by the company's long capacity position and its above 20% reserve margin.

Key Rating Drivers

- Solid credit metrics and strong cash flow generation.
- Constructive regulatory settlements in Iowa through 2013.
- High leverage at parent MidAmerican Energy Holdings Co. (MEHC, rated 'BBB+'/Stable).

Recent Developments

In 2007, MEC completed 213.5 megawatts (MW) of wind generation in Iowa, raising the total installed wind capacity to 674 MW. The company will continue to develop wind capacity, with an estimated 611 MW scheduled to come online in 2008. Fitch notes that the ratemaking principles associated with these projects were approved by the Iowa Utilities Board (IUB) prior to construction.

Liquidity

MEC has a $650 million unsecured revolving credit facility, which is used to primarily support the company's $455 million commercial paper program and its variable-rate pollution control revenue obligations. The facility matures in July 2013. As of July 15, 2008, MEC had $196.2 million reserved for pollution control revenue bonds (PCRBs) and no commercial paper outstanding, leaving $453.8 million available. The credit agreement requires that MEC's ratio of consolidated debt-to-total capitalization not exceed 65%. MEC's debt maturities are manageable with no maturities until 2012, when $400 million becomes due. Funding's maturities over the next several years include $175 million due in 2009 and $200 million due in 2011.

FitchRatings
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Corporates

Financial Summary — MidAmerican Energy Company
($ Mil., Fiscal Years Ended Dec. 31)

	LTM Ended 6/30/08	2007	2006	2005	2004	2003
Fundamental Ratios (x)						
Funds from Operations (FFO)/Interest Expense	5.9	5.7	6.3	6.6	7.7	7.3
Cash Flow from Operations (CFO)/Interest Expense	4.7	5.6	6.3	6.2	7.7	6.8
Debt/FFO	4.0	4.2	3.3	3.3	2.7	2.5
Operating EBIT/Interest Expense	3.6	3.9	4.0	4.3	4.6	4.9
Operating EBITDA/Interest Expense	5.5	6.0	6.6	7.3	8.0	8.6
Debt/Operating EBITDA	3.5	3.3	2.6	2.5	2.3	1.8
Common Dividend Payout (%)	0.3	0.3	19.3	0.5	0.5	101.1
Internal Cash/Capital Expenditures (%)	45.6	46.1	66.4	65.4	81.6	71.4
Capital Expenditures/Depreciation (%)	441.9	484.3	279.2	263.8	241.5	126.1
Profitability						
Adjusted Revenues	4,504	4,258	3,448	3,160	2,696	2,595
Net Revenues	1,557	1,519	1,365	1,303	1,275	1,261
Operating and Maintenance Expense	634	620	558	539	556	513
Operating EBITDA	805	781	694	650	621	650
Depreciation and Amortization Expense	272	268	274	268	265	280
Operating EBIT	533	513	420	382	356	370
Gross Interest Expense	147	131	105	89	78	76
Net Income for Common	326	325	265	221	209	187
Operating Maintenance Expense % of Net Revenues	40.72	40.8	40.9	41.4	43.6	40.7
Operating EBIT % of Net Revenues	34.23	33.8	30.8	29.3	27.9	29.3
Cash Flow						
Cash Flow from Operations	549	599	559	463	523	441
Change in Working Capital	(164)	(16)	5	(35)	4	(36)
Funds from Operations	713	615	554	498	519	477
Dividends	(1)	(1)	(51)	(1)	(1)	(189)
Capital Expenditures	(1,202)	(1,298)	(765)	(707)	(640)	(353)
Free Cash Flow	(654)	(700)	(257)	(245)	(118)	(101)
Net Other Investment Cash Flow	6	9	16	18	—	13
Net Change in Debt	347	730	186	206	244	63
Net Change in Equity	—	—	—	—	(1)	—
Capital Structure						
Short-Term Debt	—	86	—	—	—	48
Long-Term Debt	2,819	2,479	1,822	1,632	1,423	1,128
Total Debt	2,819	2,565	1,822	1,632	1,423	1,176
Total Hybrid Equity	—	23	30	30	30	32
Common Equity	2,465	2,288	1,951	1,745	1,528	1,319
Total Capital	5,284	4,876	3,803	3,407	2,981	2,527
Total Debt/Total Capital (%)	53.4	52.6	47.9	47.9	47.7	46.5
Total Hybrid Equity/Total Capital (%)	—	0.5	0.8	0.9	1.0	1.3
Common Equity/Total Capital (%)	46.7	46.9	51.3	51.2	51.3	52.2

LTM – Latest 12 months. Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding. Long-term debt includes trust preferred securities.
Source: Company reports, Fitch Ratings.

Moody's Investors Service

Global Credit Research
Credit Opinion
17 OCT 2008
Save as PDF

Credit Opinion: MidAmerican Energy Holdings Co.

MidAmerican Energy Holdings Co.

Des Moines, Iowa, United States

Ratings

Category	**Moody's Rating**
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Preferred Shelf	(P)Baa3
Parent: Berkshire Hathaway Inc.	
Outlook	Stable
Issuer Rating	Aaa
ST Issuer Rating	P-1
Northern Electric Distribution Ltd	
Outlook	Stable
Issuer Rating	A3
Northern Electric plc	
Outlook	Stable
Issuer Rating	A3

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Key Indicators

[1]
MidAmerican Energy Holdings Co.

ACTUALS	**LTM 6/30/08**	**2007**	**2006**	**2005**
(CFO Pre-W/C + Interest) / Interest Expense [2]	**3.1x**	**2.9x**	**2.9x**	**2.5x**
(CFO Pre-W/C) / Debt [2]	**13.4%**	**11.9%**	**11.5%**	**10.9%**
(CFO Pre-W/C - Dividends) / Debt [2][3]	**13.4%**	**11.9%**	**11.5%**	**10.9%**
(CFO Pre-W/C - Dividends) / Capex [2][3]	**79.2%**	**69.5%**	**82.9%**	**107.8%**
Debt / Book Capitalization	**59.8%**	**61.6%**	**62.6%**	**71.6%**
EBITA Margin %	**23.0%**	**24.0%**	**24.5%**	**23.7%**

[1] All ratios are calculated using Moody's Standard Adjustments. [2] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items. [3] CFO pre-W/C-Dividends, is also referred to as retained cash flow ("RCF") in the Global Regulated Electric Utilities Rating Methodology.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Corporate Profile

MidAmerican Energy Holdings Company (MEHC: Baa1 senior unsecured, stable outlook) is a privately-owned global provider of energy services based in Des Moines, Iowa. MEHC is a holding company owing subsidiaries that are principally engaged in generating, transmitting, storing, distributing and supplying energy. The company's operations are organized in eight platforms: PacifiCorp (Baa1 senior unsecured, stable outlook) - an electric utility company in the Western United States; MidAmerican Funding (A3 senior unsecured, stable outlook), parent of MidAmerican Energy (MEC: A2 senior unsecured, stable outlook) - a combined electric and natural gas utility company in the Midwestern United States; Northern Natural Gas (NNG: A2 senior unsecured, stable outlook) and Kern River (A3 senior unsecured, stable outlook) - two regulated natural gas interstate pipeline companies in the United States; CE Electric UK (Baa1 senior unsecured, stable outlook), which includes Northern Electric (A3 senior unsecured, stable outlook) and Yorkshire Electricity (A3 senior unsecured, stable outlook) - two electricity distribution companies in the UK; CalEnergy Generation, Domestic - owning interests in independent power projects in the United States; CalEnergy Generation, Foreign - owning a majority interest in the Casecnan project in the Philippines; and HomeServices (unrated) - the second largest residential real estate brokerage firm in the United States. MEHC is a consolidated subsidiary of Berkshire Hathaway Inc. (BRK: Aaa Issuer Rating, stable outlook).

Recent Events

On September 18, 2008, MEHC announced that it had reached a tentative agreement to acquire all of the outstanding shares of Constellation Energy Group, Inc. (Constellation: Baa2 senior unsecured, under review for possible downgrade) for cash consideration of $26.50 per share, or approximately $4.7 billion. The agreement was finalized upon the close of business Friday September 19, 2008, with MEHC subsequently purchasing $1 billion of convertible preferred shares of Constellation. Funding for the investment was provided via a capital contribution from BRK. The transaction is subject to shareholder as well as federal and state regulatory approvals; the companies anticipate the transaction could close within nine months.

The pending acquisition is not currently expected to have any impact on the rating or outlook of MEHC. Funding for the transaction is being provided via capital contributions from BRK; as a result, MEHC will not incur any additional third party debt. Although the business risk profile of CEG is significantly higher than MidAmerican's other primarily regulated operations, its cash flows, sourced largely from well-positioned base load generation, have historically been relatively strong. In addition, Moody's understands that MEHC intends to continue to pursue the risk reduction strategies recently outlined by CEG management, such as the sale of non-core assets and a reduction in trading activity.

On September 26, 2008 MEHC entered into an agreement to acquire an approximate 10% interest in BYD Company Limited (BYD), a limited liability company incorporated in the Peoples Republic of China. BYD is a manufacturer of rechargeable batteries, auto parts and automobiles. The investment will be made via the purchase of 225,000,000 of BYD's publicly traded K shares (HKEx Stock Code 1211) at a price of HK $8.00, or approximately $230 million. Funding for the acquisition will be provided via a common equity contribution from BRK. BRK is reported to be interested in BYD's work on light weight batteries and plug-in hybrid vehicles. The investment is subject to BYD shareholder and Chinese regulatory approvals and is anticipated to close prior to year-end. Over the medium term, BYD is not expected to meaningfully contribute to, or detract from, the financial performance or cash flows of MEHC. The investment is not currently expected to have any impact on the rating or outlook of MEHC.

Rating Rationale

The rating and outlook for MEHC are driven by the relatively stable cash flows provided by its numerous, primarily regulated subsidiaries, the constructive regulatory environments in which its subsidiaries operate, and the diversification of its businesses and generation portfolio. MEHC's financial credit metrics are generally below the ranges demonstrated by U.S. integrated electric utility holding companies rated Baa; however, this is mitigated by its significant diversity and its position as a subsidiary of BRK. The rating also considers MEHC's plans for significant capital investments primarily at its U.S. utility subsidiaries PacifiCorp and MEC. The stable outlook incorporates Moody's expectation that MEHC's capital expenditures will be financed in a manner that is consistent with its current credit profile, that MEHC will manage its regulatory relationships in a manner that continues to be supportive of credit quality, and that MEHC will generally maintain its current business risk profile.

The most important drivers of MEHC's rating and outlook are as follows:

Supportive Regulatory Environment

MEHC's Baa1 rating for its senior unsecured obligations recognizes that the majority of its businesses are regulated, and acknowledges the relative stability and predictability of cash flows associated with these operations. In 2007, over 90% of MEHC's earnings before interest and taxes (EBITDA) was generated by subsidiaries that are almost entirely regulated. The regulated contribution in 2008 is expected to be comparable to 2007.

Over 50% of MEHC's 2007 and 2008 projected EBITDA is generated by its two U.S. electric utilities that operate primarily in Iowa, Utah and Oregon, which Moody's considers either above average or average as compared to U.S. state regulatory jurisdictions in terms of predictability of decisions and expectation of timely recovery of costs and investments. MEHC's U.S. pipeline subsidiaries (17% of projected 2008 EBITDA), and its UK electric utilities (19% of projected 2008 EBITDA) are each regulated by national regulatory bodies. Moody's considers national regulation to generally be more supportive of credit quality than state regulation as the regulatory framework is fully developed and there is a high expectation of timely recovery of costs and investments.

MEHC's U.S. utility subsidiaries are in the midst of significant capital expenditure programs for generation, transmission and environmental compliance. These elevated capital expenditures are expected to continue for at least the next few years, increasing the need for continued supportive regulatory treatment. In Moody's opinion, the enhanced cost recovery mechanisms currently available in many of MEHC's service regions provide increased assurance of the likelihood of timely recovery of, and the ability to earn a return on, the majority of its significant projects.

Diversity of Operations and Generation Assets

MEHC operates a globally diverse portfolio of energy businesses located in nine states in the U.S., the UK and the Philippines. This diversification across regulatory regimes and business units helps to materially insulate the company from isolated instances of unfavorable regulatory rulings and earnings volatility associated with weather changes, customer growth and regional economic conditions. Historically, the company's cash flows have demonstrated a low correlation amongst one another and against macroeconomic variables. Additionally, MEHC's portfolio of approximately 17,000 MW of generating assets operating or under construction is sufficiently diversified in terms of fuel source including coal (55%), gas (22%), wind (11%), hydro (8%), nuclear (3%), and biomass (1%) with a concentration on low-cost base-load coal generation to support its competitive market position. MEHC's recent portfolio additions have included a significant amount of wind resources, including approximately 923 MW under development at the end of 2007.

MEHC's pending acquisition of Constellation would further diversify its generation portfolio. Constellation owns approximately 8,700 MW of non-regulated generating capacity located primarily in the Mid-Atlantic region that includes a significant amount of base-load coal and nuclear generation. Approximately 3,870 MW of Constellation's generating portfolio is comprised of nuclear assets, over half of which are located in New York that sell power under power purchase agreements.

Subsidiary Relationship

The rating for MEHC also reflects the implicit and explicit support provided by its largest shareholder, BRK. In March 2006, in conjunction with MEHC's acquisition of PacifiCorp, BRK committed $3.5 billion in contingent equity capital to MEHC that MEHC may request to either: i) pay MEHC's debt obligations coming due, or ii) provide capital to MEHC's existing regulated subsidiaries. The equity commitment agreement which expires on February 28, 2011 is not intended for mergers and acquisitions. While BRK is a recognized strategic partner and an important provider of long term capital resources for MEHC, the company also serves as an investment vehicle for BRK in the energy sector. The acquisition of PacifiCorp for approximately $5.1 billion in cash plus assumed debt, in which BRK infused approximately $3.4 billion of equity into MEHC, is a demonstration of BRK's strategy to deploy sizeable energy sector investments through MEHC, as well as its willingness to provide further support via the $3.5 billion contingent equity commitment agreement for those investments. More recently, in September 2008, MEHC entered into an agreement to acquire Constellation utilizing initial funds of $1.0 billion to purchase newly issued preferred shares with funds provided entirely via capital contributions from BRK. The stable outlook in part reflects Moody's expectations that potential merger and acquisition activities in the future will continue to be financed in a manner consistent with MEHC's current business and financial credit risk profile.

FINANCIAL METRICS

Current and projected credit metrics of MEHC are positioned at or below the lower end of the ranges identified in Moody's Rating Methodology for Global Regulated Electric Utilities (the Methodology) for companies with medium business risk rated Baa, and below those of U.S electric utilities rated Baa1. For example, MEHC's ratio of cash from operations before changes in working capital (CFO pre-W/C) to Debt, adjusted in accordance with Moody's standard analytical adjustments, has been in the range of 11-13%, whereas the comparable metric for other Baa1 rated U.S. integrated utility holding companies has generally been in the range of 20% or higher; and, the range indicated in the Methodology for utilities rated Baa is 13%-25%. MEHC's interest coverage ratio measured by (CFO pre-W/C + interest) to interest has been in the range of 2.5-3.5 times, while the median for the peer group has been in the range of 4.0-5.0 times and the Baa range indicated in the methodology range is 2.7 - 5.0 times. Although MEHC's capital structure improved significantly, as demonstrated by a Debt to Capitalization ratio (as calculated by Moody's) of approximately 60% at June 30, 2008 as opposed to the 75% ratio registered at the end of 2004, the company still remains highly leveraged for its rating. In addition, debt at the holding company level represents approximately 33% of approximately $20 billion of consolidated total debt.

Approximately 4% of MEHC's total debt is held by BRK as trust preferred stock which is included as debt in Moody's calculations of metrics for this company. The trust preferred stock held by BRK accrues interest at 11% per year and, although currently scheduled to be fully amortized by 2012, its amortization can be deferred at the option of MEHC for up to five years.

Over the next few years, prior to any consideration of the Constellation acquisition, Moody's anticipates MEHC's ratio of (CFO pre-W/C) to Debt will remain in the range of 13-15% with its interest coverage ratio in the range of 3.1-3.4 times. We understand that, should the acquisition be approved, Constellation and MEHC intend to continue to implement risk reduction strategies that are likely to impact future cash flows in addition to reducing business risk; however, as a point of reference, for the year-ending December 2007, Constellation's ratio of (CFO pre-W/C) to debt was approximately 24%. A simple combination of metrics as of December 2007 would result in a combined ratio of (CFO pre-W/C) to debt of approximately 15%.

The two notch difference between MEHC's Baa1 unsecured rating and the lower Baa rating indicated by the range of its financial metrics is supported by: the diverse and geographical nature of its regulated businesses which are situated in strong to average supportive regulatory environments which also helps to insulate the company from any potential adverse regulatory rulings, and its strong liquidity profile, which considers its equity commitment agreement with BRK - its Aaa rated parent company.

Liquidity Profile

In 2007, consolidated cash flow from operations of $2.3 billion covered approximately 66% of MEHC's capital expenditures of approximately $3.5 billion. The cash shortfall was funded with external debt financing. The significant increase in capital expenditures, from the $1.8 billion spent in 2006 is primarily a result of investment in additional generation, transmission and pollution control equipment at its U.S. utility subsidiaries, primarily PacifiCorp. Going forward, MEHC's is expected to remain free cash flow negative as consolidated capital expenditures are expected to remain in the range of $3.5 -$4.0 billion per year while cash flows from operations are anticipated be in a range of approximately $2.3- $3.0 billion per year. Moody's anticipates the shortfall will continue to be funded primarily with external long and short term debt at both the subsidiary and parent levels. As a private company, MEHC is not required to make dividend payments on common shares; as such, the company is able to retain 100% of its earnings, thereby maintaining a relatively balanced capital structure even after consideration of its significant use of debt financing.

As a holding company, MEHC's primary sources of liquidity are dividends received from its operating subsidiaries and tax deductions from its corporate expenses, primarily interest expense. Over the past few years, the majority of its dividends received have come from the gas pipeline businesses, including Kern River and NNG. In 2007, MEHC received approximately $850 million of cash distributions from its subsidiaries, including approximately $200 million from Kern River and $240 million from NNG. Dividend distributions from regulated utility subsidiaries, PacifiCorp and MEC, have been suspended or maintained at minimum levels due to their high capital expenditure programs which we expect will continue over the next few years. Moody's anticipates that proceeds from subsidiaries should easily cover MEHC's overhead costs and annual payment for interest expenses and existing trust preferred dividends of approximately $400-450 million in 2008 and beyond. A portion of the capital contributed by BRK for MEHC's pending acquisition of Constellation is likely to be in the form of additional trust preferred stock, Moody's anticipates that dividends received from Constellation would be sufficient to cover dividend payments on these securities.

MEHC's parent-level short-term liquidity needs are supported by a $600 million revolving credit that is available through July 2011 after which availablity is reduced to $567 million for the year ending July 2012 and to $494 million for the year ending July 2013. A subsidiary of Lehman Brothers is a lender under the facility so the size of the facility may be modestly reduced by Lehman's approximate $15 million commitment. The facility does not contain rating triggers that would cause acceleration or make the facility unavailable and does not require MAC representation for borrowings. However, the facility does contain a rating sensitive pricing grid and a financial covenant that limits debt to 70% of total capitalization. As of June 30, 2008, MEHC's debt to capitalization ratio as defined in the agreement was 62.7%, and the company had approximately $44 million of letters of credit outstanding reducing its availability under the credit facility, as of June 30, 2008, to $556 million.

MEHC refinanced the $1 billion of parent-level debt due in 2008 in August 2007. MEHC's next parent level maturity, exclusive of amortization of the trust preferred securities, is $500 million of senior notes due in 2012.

As noted above, MEHC's liquidity is supplemented by an equity commitment agreement with BRK whereby BRK has committed to provide up to $3.5 billion in equity to MEHC if requested to fund MEHC's debt obligations coming due or to fund other capital requirements of MEHC's regulated subsidiaries. The existence of the BRK equity agreement clearly provides an important backstop to MEHC's overall liquidity.

Rating Outlook

The stable outlook for MEHC reflects our expectation of relatively stable cash flows generated by its primarily regulated operations; the significant diversification of its operations, regulatory regimes, and generation portfolio which materially insulates the company from adverse regulatory outcomes or commodity price changes; its strong liquidity profile and an expectation that MEHC will generally maintain its current level of business risk.

What Could Change the Rating - Up

The ratings could be upgraded if there is a significant improvement in cash flows or a reduction in leverage that would generate an improvement in its credit metrics as demonstrated for example, at MEHC's current lower level of business risk, by a ratio of CFO pre-WC to Debt, calculated in accordance with Moody's standard analytical adjustments, being in the range of 16-19% on a sustainable basis.

What Could Change the Rating - Down

The ratings could be adjusted downward if there were to be significant increases in the costs of either operations at MEHC's subsidiaries or for their capital expenditure programs; if there were to be a material sustained increase in overall business risk without a commensurate strengthening of financial position; if capital expenditures or acquisitions are funded in a manner inconsistent with MEHC's current financial strategy,;or if there were to be adverse regulatory rulings such there would be a deterioration in financial metrics as demonstrated, for example, at MEHC's current lower level of business risk, by a ratio of CFO pre-WC to Debt remaining significantly below 13% for an extended period.

Rating Factors

MidAmerican Energy Holdings Co.

134400

Select Key Ratios for Global Regulated Electric Utilities

Rating	Aa	Aa	A	A	Baa	Baa	Ba	Ba
Level of Business Risk	Medium	Low	Medium	Low	Medium	Low	Medium	Low
CFO pre-W/C to Interest (x) [1]	>6	>5	3.5-6.0	3.0-5.7	2.7-5.0	2-4.0	<2.5	<2
CFO pre-W/C to Debt (%) [1]	>30	>22	22-30	12-22	13-25	5-13	<13	<5
CFO pre-W/C - Dividends to Debt (%) [1]	>25	>20	13-25	9-20	8-20	3-10	<10	<3
Total Debt to Book Capitalization (%)	<40	<50	40-60	50-75	50-70	60-75	>60	>70

[1] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items

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April 1, 2009

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MidAmerican Energy Holdings Co.

Major Rating Factors

Corporate Credit Rating

BBB+/Stable/--

Strengths:

- The explicit support of MidAmerican Energy Holdings Company's (MEHC) credit-worthy parent, Berkshire Hathaway Inc. (AAA/Negative/A-1+) in the form of a $3.5 billion contingent equity agreement;
- The significant geographical and operational diversity of MEHC's holdings, which comprise eight different business platforms that operate in the U.S., U.K., and the Philippines;
- Approximately 96% of 2008 EBITDA that is expected to come from regulated U.S. utilities (58%), Federal Energy Regulatory Commission-regulated pipelines (21%), or U.K. electric distribution assets (17%); and
- Expectations that as MEHC's subsidiaries complete capital investments, especially at PacifiCorp and MidAmerican Energy Co., the parent will be able to manage its leverage downward; currently about 25% of the company's total debt outstanding is associated with publicly held parent debt and trust-preferred debt outstanding with Berkshire Hathaway.

Weaknesses:

- A financial profile that, while continuing to achieve modest year-over-year improvements, remains aggressive;
- A sizable portion of future subsidiary distributions that will be relied upon to service MEHC's parent debt will stem from MidAmerican Energy Co. (MEC), which, in turn, generates a significant portion of its margin from wholesale electric sales that are subject to volatility;
- As evidenced by the company's bid in 2008 to purchase Constellation Energy Group(BBB/Watch Neg/A-2), MEHC's future acquisition strategy may encompass assets outside of regulated energy space;
- MEHC's largest company, PacifiCorp, which contributed about 36% of EBITDA in 2008, is not earning its authorized return on equity; improving performance will require continued supportive regulatory outcomes, especially in PacifiCorp's largest states, Utah and Oregon, which constitute about 70% of the utility's consolidated operating revenues; and
- The dominance of coal in PacifiCorp's and MEC's generation portfolios, particularly for the Midwest MEC, which is long on base load coal and under its rate agreement, has constraints in passing through carbon costs if they occur before 2014.

Rationale

The 'BBB+' corporate credit rating (CCR) and 'BBB+' senior unsecured debt ratings assigned to MidAmerican Energy Holdings Co. (MEHC) reflects an 'excellent' business profile that is supported by the geographical and business diversity of the company's predominately regulated energy holdings.

MEHC is privately held, and its majority owner is Berkshire Hathaway (AAA/Stable/A-1+,) which at year-end 2008 had an 87.4% interest in MEHC on an undiluted basis. Remaining common equity is held by Walter Scott (10.9%) and two members of MEHC's executive management, Chairman of the Board David Sokol (0.7%) and President and Chief Executive Officer Greg Abel (1.0%). With nearly $20 billion of debt outstanding at year-end 2008 and revenues that totaled $12.7 billion, MEHC operates eight separate operating platforms. The most important of MEHC's companies as measured on an EBITDA basis are the electric utility PacifiCorp (A-/Stable/A-2), which serves six states in the Pacific Northwest, and the electric and natural gas utility, MidAmerican Energy Co (A-/Stable/A-2), which operates predominately in Iowa but also serves markets in Illinois, South Dakota and a small portion of Nebraska. In terms of MEHC's 2008 EBITDA, PacifiCorp and MidAmerican Energy Co. (MEC) represent 36.0% and 21.6%, respectively.

MEHC also owns two Federal Energy Regulatory Commission-regulated interstate natural gas pipelines, Northern Natural Gas (A/Stable/--), which serves largely local distribution companies located in various Midwest markets including the Twin Cities, and Kern River Gas Transportation, which provides transportation services to end-user customers in the southwest and Southern California. (Kern River is rated as a project, with its senior secured notes rated 'A-'.) Northern Natural Gas and Kern River represent 11.7% and 9.5%, respectively, of 2008 consolidated EBITDA.

Additionally, MEHC's holdings include a U.K. electric distribution company (CE Electric UK Funding Co; BBB+/Watch Neg/A-2), which in turn owns operating companies Northern Electric Distribution Ltd. (A-/Watch Neg/--) and Yorkshire Electricity Distribution PLC (A-/Watch Neg/A-2). CE Electric was 17.2% of 2008 MEHC EBITDA. Smaller holdings consist of project finance assets held by Cal Energy Generation, which owns about 1,000 MW of various project generation assets and a residential brokerage firm, HomeServices of America Inc. Collectively, project power plants and the real estate firm contributed around 4% of EBITDA of MEHC's consolidated results in 2008. MEHC also has two joint ventures with the American Electric Power Co. Inc. to develop transmission assets within and outside the Electric Reliability Council of Texas region. These investments are called Electric Transmission Texas LLC and Electric Transmission American LLC. Neither is consolidated onto MEHC's the financial statements, and they are currently not a significant consideration in our credit assessment.

MEHC's strategy is to grow through acquisitions, utilizing the substantial equity available to it from Berkshire. MEHC completed the $5.1 billion purchase of PacifiCorp in March 2006 with the proceeds of a $3.4 billion investment by Berkshire in MEHC common stock and $1.7 billion in public debt. In September 2008, MEHC bid to acquire Constellation for $4.7 billion. The acquisition was terminated several months later when Constellation elected to pursue an alternative bid by Electricité de France International, a subsidiary of Electricité de France S.A.

We view MEHC's business profile as 'aggressive', as reflected by its 2008 key credit metrics: adjusted debt to total capitalization of 64%, funds from operations (FFO) to interest coverage of 3.1x, and FFO to total debt of 13%. These metrics would not typically result in MEHC's strong investment-grade ratings. However, ratings are supported by the existence of a $3.5 billion contingent equity agreement between Berkshire and MEHC. Expiring Feb. 28, 2011, the agreement commits Berkshire to purchase equity in MEHC at the election of MEHC's board of directors so long as the proceeds are used to 1) pay when due MEHC debt obligations or 2) fund the general corporate purposes of MEHC's regulated subsidiaries. The agreement cannot be used to fund MEHC acquisitions. Berkshire has up to 180 days to fund an MEHC equity request. We would note that the size of the agreement is sufficient to fund all maturing debt at MEHC and its regulated subsidiaries that is due between now and its expiration. We continue to view Berkshire as a strong owner of MEHC, and consider its ability to meet any MEHC call on its equity as uncompromised. In addition, our parent rating reflects our expectation that MEHC and

Berkshire will extend the commitment after 2011 if MEHC's financial profile has not improved to the point that its ratings are supported without the equity commitment. Conversely, if the equity commitment is not renewed, at MEHC's existing financial profile we would expect to lower the company's credit ratings.

MEHC's parent interest and debt obligations are significant, the result of its use of leverage to fund acquisitions and support equity investments in its U.S. utility operations. It has $5.1 billion in public debt outstanding and approximately $821 million in trust-preferred instruments as of January 2009. (Standard & Poor's provides the MidAmerican Capital Trusts, of which $587 million were outstanding as of January 2009, with 100% equity treatment, and $234 million of the CalEnergy Capital Trusts with 50% equity treatment.)

While the company's holdings are diversified on a cash flow and EBITDA basis, MEHC looks to some of its subsidiaries more than others to service its interest obligations, estimated to be in excess of $400 million in 2009. The largest source of distributions to the company in recent years has been its interstate pipelines, which have been producing cash flows in excess of internal needs for funding.

Going forward, interest obligations are projected to be met with continued distributions from MEHC's two pipelines, and in 2009 will be augmented by the net cash proceeds MEHC receives as part of the Constellation termination. In January 2009, MEHC was paid $1 billion to retire a loan obligation from Constellation and it has an estimated 14.8 million shares in Constellation stock that it could sell in exchange for cash.

Other significant sources of cash to meet parent interest is Berkshire, which began including MEHC in its U.S. federal income tax return in 2006. Through a tax-sharing agreement between MEHC and Berkshire, MEHC receives cash payments from Berkshire in most years. Direct distributions from CE Electric UK Funding Co. are also limited, as management has indicated its cash flows will be retained at the company to manage down debt levels. However, the U.K. company indirectly supports MEHC's obligations through a subordinated note obligation between the U.K. company and MEHC's Philippines division of CalEnergy. Beginning in 2009, CE Electric is expected to start repaying the subordinated loan, which will be distributed to MEHC.

MEHC's largest holdings, PacifiCorp and MEC, have been in the midst of large capital programs that have required retained earnings to be kept at the subsidiary level to offset the effect of additional borrowing. PacifiCorp has a $6.1 billion captial investment program from 2009 through 2011. MEC is reaching the end of a period of heavy capital investment, which has averaged $1.2 billion from 2006 through 2008. In June 2007 it added a fourth coal plant and it has been investing heavily in wind generation. The company now owns 1,284 MW of wind, most of which has been built in the last three years. Beginning in 2010, MEC is expected to be a strong source of distributions if it does not elect to continue to build more wind generation, which it has stated publicly it is now evaluating. We would note that a portion of any anticipated MEC distributions are dependent on the company achieving its projected wholesale sales margins, due to its sizable long position that is in excess of retail electric customer needs.

HomeServices, whose earnings in 2007 were roughly matched by equal levels of losses in 2008, is discounted in our analysis as a future source of parent distributions due to the difficulties in the real estate industry. We would note that MEHC is forecast to be able to meet its interest obligations, even in the event that distributions from a single company were interrupted. This is important given that each of MEHC's regulated operations has put into place ring-fencing structures that could result in cash flows being trapped at the subsidiary in the event of stress at this level. For this reason, while we view the quality of cash flows generated by the subsidiaries to be in the 'A' category, the parent's ability to access these cash flows could be constrained, and this is reflected in the 'BBB+' rating assigned to the parent's senior unsecured notes.

Absent additional acquisitions, MEHC is projected to progressively improve its financial profile. MEHC does not make distributions to its owners, which allows it to retain operating cash flows to reinvest in its business and to de-lever its capital structure over time. If PacifiCorp and MEC achieve their cash flow projections following their capital investment cycles and the pipelines continue to provide stable cash flows, the parent should be able to manage down its sizable debt.

Whether this will occur will depend in part of MEHC's future acquisition strategy and how these acquisitions are financed. Its interest and capacity to grow through acquisitions remains an important company characteristic. As evidenced by the company's bid for Constellation and its 2008 announcement that it plans to make a $230 million equity investment in BYD Company Ltd., a Chinese company focused on energy storage technologies, we no longer presume that its growth strategy is confined to regulated energy assets. Due to its financial profile, MEHC is not well positioned, in our view, to add incremental business risk by purchasing assets outside of the regulated energy space. If MEHC were to purchase merchant generation or other similarly risky assets, ratings degradation would be highly likely without an improvement in MEHC's financial profile. We would expect that this would require additional and direct equity investment from Berkshire or be achieved by other means.

Short-term credit factors

MEHC's liquidity is solid. Cash and cash equivalents were $280 million at year-end 2008 on a consolidated basis. The parent maintains two credit facilities totaling $835 million, $250 million of which expires in November 2009. Borrowings against these facilities totaled $216 million as of Dec. 31, 2008. These resources compare with expected 2009 parent debt and subordinated trust preferred interest payments of more than $400 million in 2009. MEHC's subsidiaries maintain their own revolvers, with the exception of Northern Natural Gas and Kern River. Northern Natural Gas and Kern River rely on operating cash flow to support their stand-alone debt obligations, which we view as adequate, given the stable operating cash flow the companies have consistently produced. On a consolidated basis, the company meets our credit and combined credit and market stress events, comfortably achieving more than 1.0x for each metric. PacifiCorp has the largest liquidity needs to manage collateral requirements due to its large power purchase and sale agreements. MEHC's subsidiaries have maintained good access to the bond financing market. PacifiCorp issued $1 billion in notes in January 2009, and $800 million in July 2008. Northern Natural Gas issued $200 million in July 2008.

MEHC has no major maturities in 2009 and 2010 at the parent level. In the third quarter of 2008, MEHC sizably increased its subordinated debt obligations to Berkshire by $1 billion, issuing 11% mandatory redeemable preferred securities to fund its investment in Constellation. But with the termination of the agreement, the company repaid one-half of the Berkshire note in December 2008 and the remaining balance in January 2009.

The company's liquidity position has been enhanced in 2009 by the Constellation termination. Net of its initial $1 billion investment, MEHC realized in 2008 $593 million in pre-tax cash proceeds associated with a $175 million termination fee and cash paid to it by Constellation in lieu of shares. In 2009, it was repaid a $1 billion loan from Constellation, and to date has sold 5.1 million shares of Constellation common stock of the 19.9 million shares it also received from the company. Consolidated maturities for the remainder of this year are modest at about $480 million.

Outlook

The stable outlook on MEHC and its subsidiaries incorporates our expectations of steady progress toward paying down debt and improving its cash flow metrics. The explicit $3.5 billion in contingent equity available to MEHC from Berkshire also buoys credit quality. Upside ratings momentum could occur if MEHC's consolidated financial performance improves, which will take place over time if the company's investments in its regulated U.S. operations produce higher cash flows. As PacifiCorp is the company's largest holding, we look to it to bolster its credit profile while completing a large capital program; MEHC's success in managing this company will be a significant driver of the consolidated company financial profile. We will also examine MEC's ability to realize cash flows needed to repay the $525 million debt of MidAmerican Energy Funding LLC. Ratings would be clearly pressured at the MEHC level if the company's business risk increases without a corresponding improvement in its financial policy; also, a change in Berkshire's attitude toward its energy investments, in the form of reduction, expiration, or termination of the contingent equity commitment, would also meaningfully strain ratings.

Table 1

MidAmerican Energy Holdings Co. -- Financial Summary*

Industry Sector: Diversified Energy

	--Fiscal year ended Dec. 31--				
	2008	**2007**	**2006**	**2005**	**2004**
Rating history	A-/Watch Neg/--	A-/Stable/--	A-/Stable/--	BBB-/Watch Pos/--	BBB-/Positive/--
(Mil. $)					
Revenues	12,668.0	12,376.0	10,300.7	7,115.5	6,553.4
Net income from cont. oper.	1,850.0	1,189.0	916.1	557.5	537.8
Funds from oper. (FFO)	2,808.0	2,549.5	2,262.6	1,496.6	1,541.6
Capital expenditures (capex)	3,978.5	3,523.0	2,564.4	1,243.3	1,258.2
Cash and investments	280.0	1,178.0	357.8	396.3	960.9
Debt	20,958.0	19,946.1	17,927.8	10,689.8	10,925.2
Preferred stock	1,204.0	973.0	1,205.9	1,438.7	1,665.1
Common equity	11,881.0	10,555.0	9,459.4	4,896.2	4,679.0
Total capital	32,639.0	30,501.1	27,387.2	15,586.0	15,604.1
Adjusted ratios					
EBIT interest coverage (x)	2.4	2.4	2.3	2.2	2.2
FFO interest coverage (x)	3.2	2.9	3.1	3.0	3.2
FFO/debt (%)	13.4	12.8	12.6	14.0	14.1
Discretionary cash flow/debt (%)	(6.1)	(5.4)	(3.0)	1.2	2.2
Net cash flow/capex (%)	67.4	69.5	83.3	106.2	108.6
Debt/total capital (%)	64.2	65.4	65.5	68.6	70.0
Return on common equity (%)	17.6	12.1	14.4	16.2	17.3
Common dividend payout ratio (un-adj.) (%)	--	--	--	--	--

*Fully adjusted (including postretirement obligations)

Table 2

MidAmerican Energy Holdings Co. -- Peer Comparison*

Industry Sector: Diversified Energy

	--Average of past three fiscal years--			
	MidAmerican Energy Holdings Co.	**Xcel Energy Inc.**	**American Electric Power Co. Inc.**	**Duke Energy Corp.**
Rating as of March 31, 2009	BBB+/Stable/--	BBB+/Stable/A-2	BBB/Stable/A-2	A-/Positive/A-2
(Mil. $)				
Revenues	11,781.6	10,359.2	13,319.9	14,217.3
Net income from cont. oper.	1,318.4	596.8	1,168.0	1,630.0
Funds from oper. (FFO)	2,540.0	1,687.2	2,769.0	4,149.1
Capital expenditures (capex)	3,355.3	1,870.2	3,794.8	3,878.1
Cash and investments	605.3	112.6	669.0	1,518.9
Debt	19,610.7	9,734.8	17,208.4	17,311.2
Preferred stock	1,127.6	119.2	93.2	-
Common equity	10,565.1	6,480.2	10,154.5	23,111.8
Total capital	30,175.8	16,215.0	27,362.9	40,422.9
Adjusted ratios				
EBIT interest coverage (x)	2.4	2.3	2.4	3.1
FFO interest coverage (x)	3.1	3.6	3.3	4.9
FFO/debt (%)	13.0	17.3	16.1	24.0
Discretionary cash flow/debt (%)	(4.9)	(5.5)	(10.2)	(9.0)
Net cash flow/capex (%)	72.2	70.1	56.3	73.9
Debt/total capital (%)	65.0	60.0	62.9	42.8
Return on common equity (%)	14.9	8.5	10.7	6.7
Common dividend payout ratio (un-adj.) (%)	–	64.9	53.7	78.7

*Fully adjusted (including postretirement obligations)

Table 3

Reconciliation Of MidAmerican Energy Holdings Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2008--									
MidAmerican Energy Holdings Co. reported amounts										
	Debt	**Shareholders' equity**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	20,232.0	10,207.0	3,938.0	3,938.0	2,828.0	1,279.0	2,587.0	2,587.0	–	3,937.0
Standard & Poor's adjustments										
Operating leases	430.2	–	98.0	27.8	27.8	27.8	70.2	70.2	–	95.5
Equity-like hybrids	(1,087.0)	1,087.0	–	–	–	(119.6)	119.6	119.6	119.6	–

Table 3

Reconciliation Of MidAmerican Energy Holdings Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Intermediate hybrids reported as debt	(117.0)	117.0	--	--	--	(7.5)	7.5	7.5	7.5	--
Postretirement benefit obligations	609.7	--	18.0	18.0	18.0	--	103.4	103.4	--	--
Accrued interest not included in reported debt	340.0	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	54.0	(54.0)	(54.0)	--	(54.0)
Power purchase agreements	456.5	--	30.4	30.4	30.4	30.4	--	--	--	--
Asset retirement obligations	93.6	--	24.0	24.0	24.0	24.0	(2.6)	(2.6)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	211.0	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	(23.0)	--	--
Minority Interest	--	270.0	--	--	--	--	--	--	--	--
Total adjustments	726.0	1,474.0	170.4	100.2	311.2	9.2	244.0	221.0	127.0	41.5
Standard & Poor's adjusted amounts										
Adjusted	20,958.0	11,681.0	4,108.4	4,038.2	3,139.2	1,288.2	2,631.0	2,808.0	127.0	3,978.5

*MidAmerican Energy Holdings Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of April 1, 2009)*

MidAmerican Energy Holdings Co.	
Corporate Credit Rating	BBB+/Stable/--
Preferred Stock (2 Issues)	BBB-
Senior Unsecured (7 Issues)	BBB+
Corporate Credit Ratings History	
27-Mar-2009	BBB+/Stable/--
18-Sep-2008	A-/Watch Neg/--

Ratings Detail (As Of April 1, 2009)*(cont.)	
06-Mar-2006	A-/Stable/--
25-May-2005	BBB-/Watch Pos/--
Related Entities	
CE Casecnan Water and Energy Co. Inc.	
Senior Secured (1 Issue)	BB-/Stable
CE Electric U.K. Funding Co.	
Issuer Credit Rating	BBB+/Watch Neg/A-2
Senior Unsecured (1 Issue)	A/Negative
CE Generation LLC	
Senior Secured (1 Issue)	BB+/Stable
Cordova Energy Co. LLC	
Senior Secured (1 Issue)	BB/Stable
Iowa-Illinois Gas & Electric Co.	
Senior Unsecured (5 Issues)	A-/A-2
Kern River Gas Transmission Co.	
Senior Secured (2 Issues)	A-/Stable
MidAmerican Energy Co.	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BBB+
Senior Unsecured (9 Issues)	A-
Senior Unsecured (2 Issues)	A-/A-2
MidAmerican Funding LLC	
Senior Secured (2 Issues)	BBB+
Midwest Power Systems Inc.	
Senior Unsecured (1 Issue)	A-/A-2
Northern Electric Distribution Ltd.	
Issuer Credit Rating	A-/Watch Neg/--
Senior Unsecured (1 Issue)	A-
Northern Electric Finance PLC	
Senior Unsecured (1 Issue)	A/Negative
Northern Electric PLC	
Issuer Credit Rating	BBB+/Watch Neg/A-2
Senior Unsecured (1 Issue)	A-
Northern Natural Gas Co.	
Issuer Credit Rating	A/Stable/--
Senior Unsecured (5 Issues)	A
PacifiCorp	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BBB
Senior Secured (43 Issues)	A

Ratings Detail (As Of April 1, 2009)* (cont.)	
Senior Secured (7 Issues)	A/Negative
Senior Secured (4 Issues)	AA-/Watch Dev
Senior Unsecured (1 Issue)	A-
Senior Unsecured (3 Issues)	A-/A-2
Senior Unsecured (2 Issues)	AA-/Watch Dev
Salton Sea Funding Corp.	
Senior Secured (3 Issues)	BBB-/Stable
Utah Power & Light Co.	
Senior Secured (1 Issue)	AAA/Watch Neg
Yorkshire Electricity Distribution PLC	
Issuer Credit Rating	A-/Watch Neg/A-2
Senior Unsecured (1 Issue)	A-/Watch Neg
Senior Unsecured (1 Issue)	A/Negative
Yorkshire Electricity Group PLC	
Issuer Credit Rating	BBB+/Watch Neg/--
Yorkshire Power Group Ltd.	
Issuer Credit Rating	BBB+/Watch Neg/A-2
Senior Unsecured (1 Issue)	BBB+/Watch Neg

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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Corporates

Global Power
U.S. and Canada
Credit Update

MidAmerican Energy Holdings Co.

A Subsidiary of Berkshire Hathaway, Inc.

Ratings

Security Class	Current Rating
IDR	BBB+
Senior Unsecured	BBB+
Trust Preferred	BBB
Short-Term IDR	F2

Outlook

Stable

Financial Data

MidAmerican Energy Holdings Co.
($ Mil.)

	6/30/08	12/31/07
Revenue	12,497	12,376
Gross Margin	6,688	6,696
Cash Flow from Operations	2,214	2,335
Operating EBITDA	3,842	3,838
Total Debt	19,644	19,855
Total Capitalization	29,693	29,405
ROE (%)	12.21	13.68
[illegible]ex/Depreciation [illegible]	221.3	147.2

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Related Research

- *MidAmerican Energy Co., Sept. 2, 2008*
- *MidAmerican Energy Holdings Co., Aug. 23, 2007*

Profile

MEHC, a majority-owned (87.4%) subsidiary of Berkshire Hathaway, provides electric and gas service to approximately 6.9 million customers worldwide through its retail subsidiaries in the U.S. and the U.K. MEHC is also involved in the production of energy from diversified fuel sources.

Rating Rationale

- Fitch Ratings affirmed the ratings of and Stable Outlook for MidAmerican Energy Holdings Co. (MEHC) on Aug. 13, 2008. The ratings for MEHC reflect the company's diversified, relatively predictable cash flows and low business risk profile. MEHC's regulated operations consist of two domestic utilities, two domestic natural gas pipelines and two electric distribution companies in the U.K. The operating subsidiaries benefit from solid standalone credit profiles, with stable and consistent cash flows, and provide the parent company with geographic and operational diversity. Regulated operations are expected to account for more than 94% of 2008 operating income.
- Fitch's ratings analysis also takes into consideration the significant implicit and explicit support from principal shareholder Berkshire Hathaway, Inc. (BRK, rated 'AAA' with a Stable Outlook). BRK's substantial financial resources and appetite for capital investments in utility and pipeline sectors is consistent with MEHC's significant capital spending plans. Fitch considers the diversity of MEHC's cash flows and BRK's explicit financial support to MEHC and its subsidiaries and the absence of fixed shareholder dividend payments as mitigants to financial leverage at MEHC in excess of Fitch's guidelines for the 'BBB+' category.
- The MEHC ratings also consider the significant layers of holding company debt and protective subsidiary bond covenants that, under certain circumstances, could restrict cash distributions from the subsidiaries to MEHC. Favorably, the restrictive bond covenants have not historically limited the flow of cash to MEHC.
- MEHC's EBITDA-to-interest ratio and funds from operation (FFO) interest coverage were 2.9 times (x) and 3.0x, respectively for the 12-month period ending June 30, 2008. Consolidated leverage, as measured by the ratio of debt-to-EBITDA, was 5.1x for the same period.

Key Rating Drivers

- Execution risk associated with utility capital expenditure programs.
- Adverse regulatory outcomes at domestic utilities.
- Support from BRK and stable cash flows from regulated utility operations.

Liquidity

MEHC has access to short-term liquidity through a $600 million unsecured credit facility that expires in July 2013. As of July 15, 2008, there were $43.5 million of letters of credit outstanding supported by the facility. Additionally, BRK has established a $3.5 billion equity commitment agreement for MEHC, the proceeds of which can be used to repay debt obligations of MEHC or for general corporate purposes and capital expenses at the regulated subsidiaries. Fitch believes the equity commitment agreement provides support to ratings given unfavorable or unexpected market conditions or operating events. As of July 15, 2008, the entire $3.5 billion was available for MEHC.

MEHC parent maturities are $1,000 million in 2008 and $500 million in 2012. Maturing debt is expected to be met through a mix of internal cash generation and re-financings.

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Financial Summary — MidAmerican Energy Holdings Co.

($ Mil., Fiscal Years Ended Dec. 31)

	LTM Ended 6/30/08	2007	2006	2005	2004	2003
Fundamental Ratios (x)						
Funds from Operations (FFO)/Interest Expense	3.0	2.8	2.8	2.4	2.4	2.7
Cash Flow from Operations (CFO)/Interest Expense	2.7	2.8	2.7	2.5	2.6	2.6
Debt/FFO	7.4	8.5	8.7	9.0	9.2	9.1
Operating EBIT/Interest Expense	2.0	2.0	1.8	1.7	1.7	1.8
Operating EBITDA/Interest Expense	2.9	2.9	2.7	2.4	2.4	2.6
Debt/Operating EBITDA	5.1	5.2	5.8	5.4	5.6	5.9
Common Dividend Payout (%)	—	—	—	—	—	—
Internal Cash/Capital Expenditures (%)	88.1	137.9	114.1	164.7	183.2	179.9
Capital Expenditures/Depreciation (%)	221.3	147.2	167.2	130.9	121.9	111.0
Profitability						
Adjusted Revenues	12,497	12,376	10,301	7,116	6,553	5,948
Net Revenues	6,688	6,696	5,714	3,831	3,801	3,532
Operating and Maintenance Expense	—	—	—	—	—	—
Operating EBITDA	3,842	3,838	3,128	2,137	2,163	2,004
Depreciation and Amortization Expense	1,136	1,150	1,007	608	638	610
Operating EBIT	2,706	2,688	2,121	1,529	1,525	1,394
Gross Interest Expense	1,326	1,320	1,153	891	903	771
Net Income for Common	1,196	1,189	916	563	170	416
Operating Maintenance Expense % of Net Revenues	—	—	—	—	—	—
Operating EBIT % of Net Revenues	40.46	40.1	37.1	39.9	40.1	39.5
Cash Flow						
Cash Flow from Operations	2,214	2,335	1,922	1,311	1,425	1,218
Change in Working Capital	(438)	(3)	(142)	24	121	(83)
Funds from Operations	2,652	2,338	2,064	1,287	1,304	1,301
Dividends	—	—	—	—	—	—
Capital Expenditures	(2,514)	(1,693)	(1,684)	(796)	(778)	(677)
Free Cash Flow	(300)	642	238	515	647	541
Net Other Investment Cash Flow	(894)	(1,768)	(763)	(362)	(229)	(285)
Net Change in Debt	387	1,735	1,964	(212)	113	(330)
Net Change in Equity	10	10	3,382	—	(23)	(1)
Capital Structure						
Short-Term Debt	63	130	552	70	9	48
Long-Term Debt	19,581	19,725	17,449	11,515	11,997	11,826
Total Debt	**19,644**	**19,855**	**18,001**	**11,585**	**12,006**	**11,874**
Total Hybrid Equity	136	224	243	110	104	102
Common Equity	9,913	9,326	8,011	3,385	2,971	2,771
Total Capital	**29,693**	**29,405**	**26,255**	**15,080**	**15,081**	**14,747**
Total Debt/Total Capital (%)	66.2	67.5	68.6	76.8	79.6	80.5
Total Hybrid Equity/Total Capital (%)	0.5	0.8	0.9	0.7	0.7	0.7
Common Equity/Total Capital (%)	33.4	31.7	30.5	22.5	19.7	18.8

LTM – Latest 12 months. Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding. Long-term debt includes trust preferred securities.
Source: Company reports, Fitch Ratings.