

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. RPU-94-3
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**ORDER ALLOWING INCENTIVE GAS SUPPLY
PROCUREMENT PLAN AWARD**

(Issued October 25, 2001)

On August 31, 2001, MidAmerican Energy Company (MidAmerican) filed its six-month report of the results of the Incentive Gas Supply Procurement Plan (IGSPP) with the Utilities Board (Board). The filing was identified as Docket No. RPU-94-3. The six months are the period from November 2000 through April 2001. Depending upon the results, MidAmerican can earn a reward, which would be reflected in the November 2001 through April 2002 purchased gas adjustment factor.

On September 18, 2001, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an answer, conditional objection, and response to MidAmerican's IGSPP filing. On October 3, 2001, Consumer Advocate filed a withdrawal of the objection.

The IGSPP was originally approved by a "Final Decision and Order" issued on May 19, 1995, and "Order Granting Rehearing In Part And Denying Rehearing In Part" issued June 30, 1995. The plan as originally approved consisted of four

primary components in which actual gas supply costs were measured against market-based benchmarks. The components are (1) natural gas commodity costs, (2) pipeline reservation costs, (3) storage injection costs, and (4) transportation costs.

On May 28, 1999, the IGSP was extended for a two-year period based upon a settlement between MidAmerican and Consumer Advocate. The settlement retained the mechanics of the plan but changed the calculations of savings. An amendment to the settlement was approved by the Board on February 17, 2000. The settlement, as amended, changed the reference price in the commodity costs component to recognize that MidAmerican was required to pay reservation costs for firm supply to ensure reliability. For the pipeline reservation costs, the reference price was changed from the Federal Energy Regulatory Commission (FERC) authorized maximum rates to reasonably comparable contracts in terms of pipeline company, receipt points, and service for the previous year. No changes were made in the agreement to the storage injection costs component and the transportation costs component. On September 18, 2000, the Board again extended the plan until October 2002.

The plan is designed to share savings between MidAmerican's shareholders and ratepayers. To continue to earn savings, MidAmerican must keep negotiating more favorable discounted contracts. Thus, the plan operates as a true incentive for MidAmerican to continually improve its purchasing methods and practices. The results filed by MidAmerican on August 31, 2001, show that costs were below the

benchmark. Based upon these results, MidAmerican is entitled to an award, which will be reflected as an IGSPF factor. The Board finds that the IGSPF factor should be added to the November 2001 through April 2002 purchased gas adjustment filings made by MidAmerican.

IT IS THEREFORE ORDERED:

MidAmerican Energy Company is allowed to add the IGSPF factor from its August 31, 2001, filing to its purchased gas adjustment filings for November 2001 through April 2002.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Mark O. Lambert

Dated at Des Moines, Iowa, this 25th day of October, 2001.