

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

<p>IN RE:</p> <p>MIDAMERICAN ENERGY HOLDINGS COMPANY, MIDAMERICAN ENERGY COMPANY, AND BERKSHIRE HATHAWAY INC.</p>	<p>DOCKET NO. WRU-05-35-156 (SPU-05-18)</p>
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ORDER GRANTING WAIVER

(Issued September 1, 2005)

On August 11, 2005, MidAmerican Energy Holdings Company (MEHC), MidAmerican Energy Company (MidAmerican), and Berkshire Hathaway Inc. (Berkshire), collectively referred to as "Applicants," filed with the Utilities Board (Board) a request for waiver of the application of Iowa Code §§ 476.76 and 476.77 and 199 IAC chapter 32, the reorganization statutes and rules. In the alternative, Applicants request that the Board make a finding pursuant to Iowa Code § 476.77 that the reorganization is not disapproved and allowed to go forward. There were no objections to Applicants' filing.

Applicants provided a detailed explanation of the ownership structure of MEHC, MidAmerican, and Berkshire. The ownership structure is important in understanding and evaluating Applicant's request. MidAmerican, an electric and gas public utility doing business in Iowa and subject to the Board's jurisdiction, is a wholly-owned indirect subsidiary of MEHC. MEHC is currently an exempt public

utility holding company under Section 3(a)(1) of the Public Utility Holding Company Act of 1935 (PUHCA). MEHC has various subsidiaries, regulated and unregulated, in the energy business.

MEHC is a privately owned company with publicly traded fixed-income securities. The private investor group that owns MEHC consists of Walter Scott, Jr. (including family interests), Berkshire, David Sokol (chairman and chief executive officer of MEHC), and Gregory Abel (president and chief operating officer of MEHC). Mr. Scott currently has the voting authority over MEHC with voting rights for over 80 percent of the common stock.

Berkshire, a holding company owning subsidiaries engaged in a number of diverse business activities, owns 9.9 percent of the voting shares of MEHC and over 41 million shares of MEHC's zero coupon convertible preferred stock. The convertible preferred stock, while it has no voting rights with the common stock, does give Berkshire the right to elect 20 percent (2 of 10) of MEHC's Board of Directors. Berkshire's approval is also needed for MEHC to undertake certain fundamental transactions, but this approval is not required for transactions undertaken directly by MEHC subsidiaries.

The convertible preferred stock is convertible into MEHC common shares at Berkshire's option if, among other things, conversion would not cause Berkshire to become regulated as a registered holding company under PUHCA. The Energy

Policy Act of 2005, signed into law on August 8, 2005, repeals PUHCA six months from that date.

Because of PUHCA's repeal, Applicants propose a stock conversion wherein Berkshire's convertible preferred stock is converted to common stock on a share-for-share basis. If completed, Berkshire will have a voting interest in MEHC and its subsidiaries, including MidAmerican, equal to its economic interest. Control over MidAmerican would indirectly be transferred to Berkshire because Berkshire could elect the MEHC Board of Directors. The only change resulting from the conversion is in the relative shareholder rights; the identity and economic interests of the shareholders will not change. Applicants state the transaction costs are minimal and none will be recorded above-the-line so there will be no impact on MidAmerican's electric or gas rates.

Iowa Code § 476.77(4) grants the Board explicit authority to waive application of the reorganization statutes and rules if the Board finds that review is not necessary in the public interest. This provision has also been incorporated into the Board's rules. 199 IAC 32.8. In the preamble to rules adopted regarding reorganization proceedings, the Board declined to limit application of the reorganization statutes and rules only to transactions that take place within Iowa. However, the Board said:

Under the rules currently in effect, however, the Board in declaratory rulings has not required proposals for reorganizations to be filed for transactions that have minimal or no impact on Iowa ratepayers. (Citations omitted). The Board, under the adopted rules, intends to continue this policy by liberally granting waivers for such

transactions. “Order Adopting Rules,” In Re: Disposal of a Public Utility’s Assets, Docket No. RMU-91-2 (4/24/92).

The standards for review for a reorganization proceeding contained in Iowa Code § 476.77 indicate that the most significant issues generally are the reorganization’s impact on the utility’s ability to attract capital and the impacts on the utility’s ratepayers and the public interest. With the proposed stock conversion, there will be no change in ownership of MEHC, no change in management of MidAmerican, no change to MidAmerican’s capital structure, no change in utility assets, no impact on MidAmerican’s ability to provide service, no impact on electric or gas rates, and no adverse public impact. There also will be no changes in location or access to books and records, utility staffing levels, or utility accounting as a result of the transaction. In other words, this stock conversion does not impact MidAmerican’s customers, its operations, or any of the other factors the Board typically reviews in a proposed reorganization.

The Board will grant the waiver. The stock conversion does not impact MidAmerican’s customers or operations but, with the repeal of PUHCA, allows Berkshire to have a voting interest in MEHC consistent with its ownership interest. The facts recited in the application support a finding that Board review of the reorganization is not necessary in the public interest. The standards for a waiver contained in 199 IAC 1.3 have also been satisfied. Application of the reorganization rules would pose an administrative burden on Applicants that is not necessary, granting the waiver does not prejudice the rights of any person, the reorganization

statutes specifically allows for a waiver, and granting the waiver does not adversely impact public health, safety, or welfare. Applicants noted that the Consumer Advocate Division of the Department of Justice does not oppose Applicants' filing.

Because the waiver will be granted, the Board will not address Applicants' request for alternative relief (i.e., ruling on the merits of the reorganization).

IT IS THEREFORE ORDERED:

The request for waiver filed by MidAmerican Energy Holdings Company, MidAmerican Energy Company, and Berkshire Hathaway Inc. on August 11, 2005, is granted.

UTILITIES BOARD

/s/ John R. Norris

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 1st day of September, 2005.