

SETTLEMENT AGREEMENT

Dated June 6, 2005

Article I – Introduction

In an effort to find a creative solution that will enable IPSCO Steel Inc. (IPSCO) to retain its Iowa business in Muscatine County and to facilitate additional economic development near its facilities in eastern Iowa, MidAmerican Energy Company (MidAmerican) has developed an approach requiring Iowa Utilities Board action designed to promote the desired economic growth. That approach includes a variety of contractual and regulatory actions including a change in service territory, an acquisition of transmission assets and related transmission franchises, a contract rate, and a sale of generation capacity.

Initially the expansion of the MidAmerican service territory to include IPSCO is expected to increase MidAmerican's Iowa retail annual energy sales by approximately 820,000 MWh and Iowa's retail firm peak demand by 40 MW. Serving these additional energy requirements will necessitate increasing the portion of MidAmerican's generation rate base and energy costs allocated to the Iowa retail electric jurisdiction.

MidAmerican is positioned to accommodate this growth in retail load in part because MidAmerican is adding new Iowa-based generation in response to legislation promoting the expansion of rate-regulated generation. The new generation consists of the Greater Des Moines Energy Center, Council Bluffs 4, and approximately 360 MW (nameplate) of wind generation facilities (Wind Project). In addition, MidAmerican has entered into a 250 MW power purchase agreement with the Nebraska Public Power District. The three generation projects and the power purchase agreement are collectively referred to as "New Generation."

It is the intent of MidAmerican and the Office of Consumer Advocate (OCA) to avoid capital costs and expenses associated with the New Generation becoming trapped with less than 100% recovery due to differences in cost allocations among jurisdictions. It is also the intent of MidAmerican and the OCA to avoid having more than 100% of the capital costs and expenses associated with the New Generation becoming embedded in rates due to differences in cost allocations among jurisdictions.

MidAmerican projects that the cumulative impact of the additional revenue and allocation of New Generation should be accretive to revenue sharing in Iowa over the 2005-2012 period.

Article II – Stipulation

MidAmerican and the OCA agree as follows:

- A. Effective upon the date that MidAmerican commences retail electric service to IPSCO in Iowa, MidAmerican shall reallocate to Iowa electric customers all of the New Generation capital costs and expenses that had been allocated to MidAmerican's Illinois customers. To the extent that the New Generation is not yet

in service, MidAmerican shall accrue AFUDC in Iowa that would otherwise have been allocated to MidAmerican's Illinois customers.

- B. Cost recovery and revenue benefits for the entire Iowa portion of the New Generation shall be addressed consistent with the ratemaking principles approved by the Board in Dockets RPU-01-9, RPU-02-10, RPU-03-1, and RPU-04-3.
- C. Additionally for revenue sharing purposes, any additional rate base items resulting from the increased allocation to Iowa shall be calculated matching the investment reflected in rate base to the date at which MidAmerican commences providing retail service to IPSCO instead of the "two point" average specified in the relevant settlement agreements.
- D. The OCA will support all MidAmerican filings with the Iowa Utilities Board necessary or useful to enable MidAmerican to provide retail electric service to IPSCO and any related electric load in the vicinity of the IPSCO facility, unless in OCA's good faith judgment, such filings do not carry out the intent of this Settlement Agreement and are detrimental to the public generally.
- E. MidAmerican will consult with the OCA as MidAmerican moves forward in its efforts to prepare Iowa Utilities Board filings necessary or useful to enable MidAmerican to provide retail electric service to IPSCO and any related electric load in the vicinity of the IPSCO facility.
- F. This Settlement Agreement shall not directly or indirectly be referred to as precedent in any future Iowa Utilities Board proceeding, except as may be necessary to carry out the terms of this Settlement Agreement.

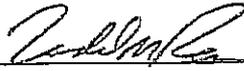
Article III – Execution

To facilitate and expedite execution, this Settlement Agreement may be executed by the signatories in multiple conformed copies which, when the original signature pages are consolidated into a single document, shall constitute a fully-executed document binding upon all the signatories to be filed with the Board. The facsimile signatures of the signatories shall be deemed to constitute original signatures, and facsimile copies hereof shall be deemed to constitute duplicate originals.

Article IV - Entire Agreement

This Settlement Agreement contains the entire agreement between the Parties. There are no additional terms, whether consistent or inconsistent, oral or written, which have not been incorporated into this Settlement Agreement.

MIDAMERICAN ENERGY COMPANY OFFICE OF CONSUMER ADVOCATE



(Signature)



(Signature)

Name: TODD M. RABA

Name: DONALD R. PERKINS

Date: 6/6/05

Date: 6/16/05