

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

**FORM 10-Q**

**[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2009

or

**[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number	Exact name of registrant as specified in its charter; State or other jurisdiction of incorporation or organization	IRS Employer Identification No.
<b>333-90553</b>	<b>MIDAMERICAN FUNDING, LLC (An Iowa Limited Liability Company) 666 Grand Avenue, Suite 500 Des Moines, Iowa 50309-2580</b>	<b>47-0819200</b>
<b>333-15387</b>	<b>MIDAMERICAN ENERGY COMPANY (An Iowa Corporation) 666 Grand Avenue, Suite 500 Des Moines, Iowa 50309-2580</b>	<b>42-1425214</b>
(515) 242-4300		
(Registrant's telephone number, including area code)		
N/A		
(Former name, former address and former fiscal year, if changed since last report)		

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

MidAmerican Funding, LLC      Yes  No                       MidAmerican Energy Company      Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

MidAmerican Funding, LLC      Yes  No                       MidAmerican Energy Company      Yes  No

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers or smaller reporting companies. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company

Indicate by check mark whether either registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

All of the member's equity of MidAmerican Funding, LLC was held by its parent company, MidAmerican Energy Holdings Company as of July 31, 2009.

All common stock of MidAmerican Energy Company is held by its parent company, MHC Inc., which is a direct, wholly owned subsidiary of MidAmerican Funding, LLC. As of July 31, 2009, 70,980,203 shares of MidAmerican Energy Company common stock, without par value, were outstanding.

MidAmerican Funding, LLC ("MidAmerican Funding") and MidAmerican Energy Company ("MidAmerican Energy") separately file this combined Form 10-Q. Information relating to each individual registrant is filed by such registrant on its own behalf. Except for its subsidiary, MidAmerican Energy makes no representation as to information relating to any other subsidiary of MidAmerican Funding.

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## PART I

### Item 1. Financial Statements

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder  
MidAmerican Energy Company  
Des Moines, Iowa

We have reviewed the accompanying consolidated balance sheet of MidAmerican Energy Company and subsidiary (the "Company") as of June 30, 2009, and the related consolidated statements of operations for the three-month and six-month periods ended June 30, 2009 and 2008, and of cash flows and changes in equity for the six-month periods ended June 30, 2009 and 2008. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet and consolidated statement of capitalization (not presented herein) of MidAmerican Energy Company and subsidiary as of December 31, 2008, and the related consolidated statements of operations, comprehensive income, cash flows, and retained earnings for the year then ended prior to retrospective adjustment for the adoption of FASB Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51" (not presented herein); and in our report dated February 27, 2009, we expressed an unqualified opinion on those consolidated financial statements. We also audited the adjustments described in Note 2 that were applied to retrospectively adjust the December 31, 2008 consolidated balance sheet of MidAmerican Energy Company and subsidiary (not presented herein). In our opinion, such adjustments are appropriate and have been properly applied to the previously issued consolidated balance sheet in deriving the accompanying retrospectively adjusted consolidated balance sheet as of December 31, 2008.

/s/ Deloitte & Touche LLP

Des Moines, Iowa  
August 7, 2009

**MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS (Unaudited)**  
(Amounts in millions)

	As of	
	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
Utility plant, net:		
Electric	\$ 9,230	\$ 8,952
Gas	<u>1,167</u>	<u>1,155</u>
	10,397	10,107
Accumulated depreciation and amortization	<u>(3,543)</u>	<u>(3,426)</u>
	6,854	6,681
Construction work in progress	<u>85</u>	<u>233</u>
Total utility plant, net	<u>6,939</u>	<u>6,914</u>
Current assets:		
Cash and cash equivalents	11	9
Restricted cash and short-term investments	12	15
Receivables, net	318	464
Inventories	144	158
Other	<u>132</u>	<u>114</u>
Total current assets	<u>617</u>	<u>760</u>
Other assets:		
Investments and nonregulated property, net	404	400
Regulatory assets	320	368
Other	<u>70</u>	<u>78</u>
Total other assets	<u>794</u>	<u>846</u>
<b>Total assets</b>	<b><u>\$ 8,350</u></b>	<b><u>\$ 8,520</u></b>
<b>CAPITALIZATION AND LIABILITIES</b>		
Capitalization:		
MidAmerican Energy common shareholder's equity	\$ 2,698	\$ 2,569
Preferred securities	30	30
Noncontrolling interests	1	1
Long-term debt, excluding current portion	<u>2,865</u>	<u>2,865</u>
Total capitalization	<u>5,594</u>	<u>5,465</u>
Current liabilities:		
Short-term debt	207	457
Accounts payable	191	353
Taxes accrued	103	103
Interest accrued	44	44
Other	<u>94</u>	<u>100</u>
Total current liabilities	<u>639</u>	<u>1,057</u>
Other liabilities:		
Deferred income taxes	822	713
Investment tax credits	35	36
Asset retirement obligations	209	200
Regulatory liabilities	671	659
Other	<u>380</u>	<u>390</u>
Total other liabilities	<u>2,117</u>	<u>1,998</u>
<b>Total capitalization and liabilities</b>	<b><u>\$ 8,350</u></b>	<b><u>\$ 8,520</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

(Amounts in millions)

	Three-Month Periods Ended June 30,		Six-Month Periods Ended June 30,	
	2009	2008	2009	2008
<b>Operating revenue:</b>				
Regulated electric	\$ 391	\$ 492	\$ 835	\$ 975
Regulated gas	118	280	506	851
Nonregulated	<u>252</u>	<u>307</u>	<u>556</u>	<u>625</u>
Total operating revenue	<u>761</u>	<u>1,079</u>	<u>1,897</u>	<u>2,451</u>
<b>Operating costs and expenses:</b>				
Regulated:				
Cost of fuel, energy and capacity	114	189	250	365
Cost of gas sold	71	232	372	712
Other operating expenses	99	97	205	201
Maintenance	50	61	90	98
Depreciation and amortization	83	77	165	149
Property and other taxes	<u>25</u>	<u>26</u>	<u>54</u>	<u>51</u>
	<u>442</u>	<u>682</u>	<u>1,136</u>	<u>1,576</u>
Nonregulated:				
Cost of sales	228	289	507	588
Other	<u>7</u>	<u>5</u>	<u>13</u>	<u>9</u>
	<u>235</u>	<u>294</u>	<u>520</u>	<u>597</u>
Total operating costs and expenses	<u>677</u>	<u>976</u>	<u>1,656</u>	<u>2,173</u>
<b>Operating income</b>	<u>84</u>	<u>103</u>	<u>241</u>	<u>278</u>
<b>Non-operating income:</b>				
Interest and dividend income	1	2	1	3
Allowance for equity funds	-	7	-	11
Other, net	<u>5</u>	<u>3</u>	<u>5</u>	<u>2</u>
Total non-operating income	<u>6</u>	<u>12</u>	<u>6</u>	<u>16</u>
<b>Fixed charges:</b>				
Interest on long-term debt	39	40	78	75
Other interest expense	-	1	2	2
Allowance for borrowed funds	<u>-</u>	<u>(3)</u>	<u>(1)</u>	<u>(6)</u>
Total fixed charges	<u>39</u>	<u>38</u>	<u>79</u>	<u>71</u>
<b>Income before income tax expense</b>	51	77	168	223
Income tax expense	<u>5</u>	<u>17</u>	<u>23</u>	<u>56</u>
<b>Net income</b>	46	60	145	167
Preferred dividends	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
<b>Earnings on common stock</b>	<u>\$ 45</u>	<u>\$ 59</u>	<u>\$ 144</u>	<u>\$ 166</u>

The accompanying notes are an integral part of these consolidated financial statements.

**MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
(Amounts in millions)

	<b>Six-Month Periods</b>	
	<b>Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 145	\$ 167
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	166	149
Provision for deferred income taxes, net	121	92
Changes in other assets and liabilities	15	14
Other, net	10	(14)
Changes in other operating assets and liabilities:		
Receivables, net	143	(84)
Inventories	13	27
Derivative collateral, net	12	(14)
Accounts payable	(112)	8
Taxes accrued	(31)	5
Other current assets and liabilities	3	11
Net cash flows from operating activities	485	361
<b>Cash flows from investing activities:</b>		
Utility construction expenditures	(235)	(560)
Purchases of available-for-sale securities	(180)	(72)
Proceeds from sales of available-for-sale securities	167	69
Decrease in restricted cash and short-term investments	3	-
Other, net	13	2
Net cash flows from investing activities	(232)	(561)
<b>Cash flows from financing activities:</b>		
Dividends paid	(1)	(1)
Proceeds from long-term debt	-	349
Net repayments of short-term debt	(250)	(86)
Other, net	-	2
Net cash flows from financing activities	(251)	264
<b>Net change in cash and cash equivalents</b>	2	64
<b>Cash and cash equivalents at beginning of period</b>	9	11
<b>Cash and cash equivalents at end of period</b>	\$ 11	\$ 75

The accompanying notes are an integral part of these consolidated financial statements.

**MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)**  
(Amounts in millions)

	<b>MidAmerican Energy Shareholders' Equity</b>					
	<b>Common Stock</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Income (Loss), Net</b>	<b>Preferred Securities</b>	<b>Noncontrolling Interests</b>	<b>Total</b>
<b>Balance, January 1, 2008</b>	\$ 561	\$ 1,726	\$ 1	\$ 30	\$ 1	\$ 2,319
Net income	-	167	-	-	-	167
Other comprehensive income	-	-	11	-	-	11
Preferred dividends	-	(1)	-	-	-	(1)
<b>Balance, June 30, 2008</b>	<u>\$ 561</u>	<u>\$ 1,892</u>	<u>\$ 12</u>	<u>\$ 30</u>	<u>\$ 1</u>	<u>\$ 2,496</u>
<b>Balance, January 1, 2009</b>	\$ 561	\$ 2,068	\$ (60)	\$ 30	\$ 1	\$ 2,600
Net income	-	145	-	-	-	145
Other comprehensive loss	-	-	(15)	-	-	(15)
Preferred dividends	-	(1)	-	-	-	(1)
<b>Balance, June 30, 2009</b>	<u>\$ 561</u>	<u>\$ 2,212</u>	<u>\$ (75)</u>	<u>\$ 30</u>	<u>\$ 1</u>	<u>\$ 2,729</u>

The accompanying notes are an integral part of these consolidated financial statements.

**MIDAMERICAN ENERGY COMPANY AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)**

**(1) General**

MidAmerican Energy Company (“MidAmerican Energy”) is a public utility with electric and natural gas operations and is the principal subsidiary of MHC Inc. (“MHC”). MHC is a holding company that conducts no business other than the ownership of its subsidiaries, which include the following nonregulated subsidiaries: InterCoast Capital Company, Midwest Capital Group, Inc., MEC Construction Services Co. and MidAmerican Services Company. MHC Inc. is the direct wholly owned subsidiary of MidAmerican Funding, LLC (“MidAmerican Funding”), which is an Iowa limited liability company with MidAmerican Energy Holdings Company (“MEHC”) as its sole member. MEHC is a consolidated subsidiary of Berkshire Hathaway Inc.

The unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the United States Securities and Exchange Commission’s rules and regulations for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements. Management believes the unaudited Consolidated Financial Statements contain all adjustments (consisting only of normal recurring adjustments) considered necessary for the fair presentation of the Consolidated Financial Statements as of June 30, 2009, and for the three- and six-month periods ended June 30, 2009 and 2008. Certain amounts in the prior period Consolidated Financial Statements have been reclassified to conform to the current period presentation. Such reclassifications did not impact previously reported operating income, net income or retained earnings. The results of operations for the three- and six-month periods ended June 30, 2009, are not necessarily indicative of the results to be expected for the full year. MidAmerican Energy has evaluated subsequent events through August 7, 2009, which is the date the unaudited Consolidated Financial Statements were issued.

The preparation of the unaudited Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from the estimates used in preparing the unaudited Consolidated Financial Statements. Note 2 of Notes to Consolidated Financial Statements included in MidAmerican Energy’s Annual Report on Form 10-K for the year ended December 31, 2008, describes the most significant accounting policies used in the preparation of the Consolidated Financial Statements. There have been no significant changes in MidAmerican Energy’s assumptions regarding significant accounting estimates and policies during the six-month periods ended June 30, 2009.

**(2) New Accounting Pronouncements**

In June 2009, the Financial Accounting Standards Board (the “FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 167, “Amendments to FASB Interpretation No. 46(R)” (“SFAS No. 167”). SFAS No. 167 amends FASB Interpretation No. 46(R), “Consolidation of Variable Interest Entities – an interpretation of ARB No. 51” (“FIN 46(R)”), to require a primarily qualitative analysis to determine if an enterprise is the primary beneficiary of a variable interest entity. This analysis should be based on whether the enterprise has (i) the power to direct the activities of the variable interest entity that most significantly impact the entity’s economic performance and (ii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. In addition, SFAS No. 167 requires enterprises to more frequently reassess whether an entity is a variable interest entity and whether the enterprise is the primary beneficiary of the variable interest entity. Finally, SFAS No. 167 amends guidance for consolidation or deconsolidation of a variable interest entity and enhances disclosure requirements about an enterprise’s involvement with a variable interest entity. SFAS No. 167 is effective as of the beginning of the first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter, with early application prohibited. MidAmerican Energy is currently evaluating the impact of adopting SFAS No. 167 on its consolidated financial results and disclosures included within Notes to Consolidated Financial Statements.

In April 2009, the FASB issued Staff Position (“FSP”) No. FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments” (“FSP FAS 107-1”). FSP FAS 107-1 requires publicly traded companies to include the annual fair value disclosures required for all financial instruments within the scope of SFAS No. 107, “Disclosures about Fair Value of

Financial Instruments,” in interim financial statements. MidAmerican Energy adopted FSP FAS 107-1 on April 1, 2009, and included the required disclosures within Notes to Consolidated Financial Statements.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments” (“FSP FAS 115-2”). FSP FAS 115-2 amends current other-than-temporary impairment guidance for debt securities to require a new other-than-temporary impairment model that shifts the focus from an entity’s intent to hold the debt security until recovery to its intent, or expected requirement, to sell the debt security. The existing other-than-temporary impairment models for equity securities will continue to apply. In addition, FSP FAS 115-2 addresses whether an other-than-temporary impairment should be recognized in earnings, other comprehensive income or some combination thereof. FSP FAS 115-2 also expands the already required annual disclosures about other-than-temporary impairment for debt and equity securities and requires companies to include these expanded disclosures in interim financial statements. MidAmerican Energy adopted FSP FAS 115-2 on April 1, 2009. The adoption did not have a material impact on MidAmerican Energy’s consolidated financial results and disclosures included within Notes to Consolidated Financial Statements.

In April 2009, the FASB issued FSP No. FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly” (“FSP FAS 157-4”). FSP FAS 157-4 clarifies the application of SFAS No. 157, “Fair Value Measurements,” (“SFAS No. 157”) in determining when a market is not active and if a transaction is not orderly. In addition, FSP FAS 157-4 amends SFAS No. 157 to require disclosures in interim and annual periods of the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period. FSP FAS 157-4 also amends SFAS No. 157 to define “major categories” to be consistent with those described in SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities.” MidAmerican Energy adopted FSP FAS 157-4 on April 1, 2009. The adoption did not have a material impact on MidAmerican Energy’s consolidated financial results and disclosures included within Notes to Consolidated Financial Statements.

In December 2008, the FASB issued FSP FAS No. 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets” (“FSP FAS 132(R)-1”). FSP FAS 132(R)-1 is intended to improve financial reporting about plan assets of defined benefit pension and other postretirement plans by requiring enhanced disclosures to enable investors to better understand how investment allocation decisions are made and the major categories of plan assets. FSP FAS 132(R)-1 also requires disclosure of the inputs and valuation techniques used to measure fair value and the effect of fair value measurements using significant unobservable inputs on changes in plan assets. In addition, FSP FAS 132(R)-1 establishes disclosure requirements for significant concentrations of risk within plan assets. FSP FAS 132(R)-1 is effective for financial statements issued after December 15, 2009, with early application permitted. MidAmerican Energy is currently evaluating the impact of adopting FSP FAS 132(R)-1 on its disclosures included within Notes to Consolidated Financial Statements.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133” (“SFAS No. 161”). SFAS No. 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand how and why an entity uses derivative instruments and their effects on an entity’s financial results. MidAmerican Energy adopted SFAS No. 161 on January 1, 2009, and included the required disclosures within Notes to Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51” (“SFAS No. 160”). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. MidAmerican Energy adopted SFAS No. 160 on January 1, 2009. The implementation of SFAS No. 160 did not have a material impact on MidAmerican Energy’s consolidated financial statements.

### **(3) Fair Value Measurements**

The carrying amounts of MidAmerican Energy’s cash, certain cash equivalents, restricted cash and short-term investments, receivables, payables, accrued liabilities and short-term debt approximate fair value because of the short-term maturity of these instruments. MidAmerican Energy has various financial assets and liabilities that are measured at fair value in the Consolidated Financial Statements using inputs from the three levels of the fair value hierarchy. A financial asset or liability classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that MidAmerican Energy has the ability to access at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).
- Level 3 – Unobservable inputs reflect MidAmerican Energy’s judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. MidAmerican Energy develops these inputs based on the best information available, including its own data.

The following table presents MidAmerican Energy’s assets and liabilities recognized in the Consolidated Balance Sheet and measured at fair value on a recurring basis as of June 30, 2009 (in millions):

Description	Input Levels for Fair Value Measurements			Other <sup>(1)</sup>	Total
	Level 1	Level 2	Level 3		
<b>Assets<sup>(2)</sup>:</b>					
Commodity derivatives	\$ 5	\$ 58	\$ 35	\$ (51)	\$ 47
Investments in available-for-sale securities:					
Money market mutual funds <sup>(3)</sup>	12	-	-	-	12
Debt securities	61	52	12	-	125
Equity securities	120	-	-	-	120
	<u>\$ 198</u>	<u>\$ 110</u>	<u>\$ 47</u>	<u>\$ (51)</u>	<u>\$ 304</u>
<b>Liabilities:</b>					
Commodity derivatives	<u>\$ (10)</u>	<u>\$ (124)</u>	<u>\$ (6)</u>	<u>\$ 69</u>	<u>\$ (71)</u>

(1) Primarily represents a net cash collateral receivable of \$18 million and netting under master netting arrangements.

(2) Does not include investments in either pension or other postretirement benefit plan assets.

(3) Amounts are included in cash and cash equivalents, in restricted cash and short-term investments and in investments and nonregulated property, net on the Consolidated Balance Sheet. The fair value of these money market mutual funds approximates cost.

The following table presents MidAmerican Energy’s assets and liabilities recognized in the Consolidated Balance Sheet and measured at fair value on a recurring basis as of December 31, 2008 (in millions):

Description	Input Levels for Fair Value Measurements			Other <sup>(1)</sup>	Total
	Level 1	Level 2	Level 3		
<b>Assets<sup>(2)</sup>:</b>					
Commodity derivatives	\$ 2	\$ 55	\$ 48	\$ (48)	\$ 57
Investments in available-for-sale securities:					
Money market mutual funds <sup>(3)</sup>	23	-	-	-	23
Debt securities	45	75	16	-	136
Equity securities	103	-	-	-	103
	<u>\$ 173</u>	<u>\$ 130</u>	<u>\$ 64</u>	<u>\$ (48)</u>	<u>\$ 319</u>
<b>Liabilities:</b>					
Commodity derivatives	<u>\$ (55)</u>	<u>\$ (120)</u>	<u>\$ (8)</u>	<u>\$ 95</u>	<u>\$ (88)</u>

(1) Primarily represents a net cash collateral receivable of \$47 million and netting under master netting arrangements.

(2) Does not include investments in either pension or other postretirement benefit plan assets.

(3) Amounts are included in cash and cash equivalents, in restricted cash and short-term investments and in investments and nonregulated property, net on the Consolidated Balance Sheet. The fair value of these money market mutual funds approximates cost.

The fair value of commodity derivative contracts is determined using unadjusted quoted prices for identical contracts on the applicable exchange in which MidAmerican Energy transacts. When quoted prices for identical contracts are not available, MidAmerican Energy uses forward price curves derived from market price quotations, when available, or internally developed and commercial models, with internal and external fundamental data inputs. Market price quotations are obtained from independent energy brokers, exchanges, direct communication with market participants and actual transactions executed by MidAmerican Energy. Market price quotations for certain major electricity and natural gas trading hubs are generally readily obtainable for the applicable term of MidAmerican Energy's outstanding commodity derivative contracts; therefore, MidAmerican Energy's forward price curves for those locations and periods reflect observable market quotes. Market price quotations for other electricity and natural gas trading hubs are not as readily obtainable or the contract is not actively traded. Given that limited market data exists for these contracts, MidAmerican Energy uses forward price curves derived from internal models based on perceived pricing relationships to major trading hubs that are based on significant unobservable inputs. Refer to Note 4 for further discussion regarding MidAmerican Energy's risk management and hedging activities.

MidAmerican Energy's investments in debt and equity securities, including certain cash equivalents, are accounted for as available-for-sale and are stated at fair value. When available, the quoted market price or net asset value of an identical security in the principal market is used to record the fair value. In the absence of a quoted market price or net asset value in a readily observable and active market, the fair value is determined using pricing models or net asset values based on observable market inputs and quoted market prices of securities with similar characteristics. The fair value of MidAmerican Energy's investments in auction rate securities, where there is no current liquid market, is determined using pricing models based on available observable market data and MidAmerican Energy's judgment about the assumptions, including liquidity and nonperformance risks, which market participants would use when pricing the asset. All of MidAmerican Energy's available-for-sale securities in Levels 1 and 2 above are held in nuclear decommissioning trusts for the Quad Cities Station.

The following table reconciles the beginning and ending balances of MidAmerican Energy's assets and liabilities measured at fair value on a recurring basis using significant Level 3 inputs for the three-month periods ended June 30 (in millions):

	2009		2008	
	Commodity Derivatives	Debt Securities	Commodity Derivatives	Debt Securities
<b>Beginning balance</b>	\$ 51	\$ 16	\$ (13)	\$ 36
Changes included in earnings <sup>(1)</sup>	1	-	(10)	-
Unrealized (losses) included in other comprehensive income	-	(4)	-	(5)
Unrealized (losses) included in regulatory assets and liabilities	(10)	-	(7)	-
Settlements	(13)	-	6	-
<b>Ending balance</b>	<u>\$ 29</u>	<u>\$ 12</u>	<u>\$ (24)</u>	<u>\$ 31</u>

(1) Changes included in earnings are reported as nonregulated revenue in the Consolidated Statements of Operations. Net unrealized gains (losses) included in earnings for the three-month periods ended June 30, 2009 and 2008, related to commodity derivatives held at June 30, 2009 and 2008, totaled \$1 million and \$(10) million, respectively.

The following table reconciles the beginning and ending balances of MidAmerican Energy's assets and liabilities measured at fair value on a recurring basis using significant Level 3 inputs for the six-month periods ended June 30 (in millions):

	2009		2008	
	Commodity Derivatives	Debt Securities	Commodity Derivatives	Debt Securities
<b>Beginning balance</b>	\$ 40	\$ 16	\$ -	\$ 40
Changes included in earnings <sup>(1)</sup>	19	-	(22)	-
Unrealized gains (losses) included in other comprehensive income	-	(4)	1	(9)
Unrealized gains (losses) included in regulatory assets and liabilities	5	-	(11)	-
Settlements	(35)	-	8	-
<b>Ending balance</b>	<u>\$ 29</u>	<u>\$ 12</u>	<u>\$ (24)</u>	<u>\$ 31</u>

(1) Changes included in earnings are reported as nonregulated revenue in the Consolidated Statements of Operations. Net unrealized gains (losses) included in earnings for the six-month periods ended June 30, 2009 and 2008, related to commodity derivatives held at June 30, 2009 and 2008, totaled \$15 million and \$(21) million, respectively.

MidAmerican Energy's long-term debt is carried at cost in the Consolidated Financial Statements. The fair value of MidAmerican Energy's long-term debt has been estimated based upon quoted market prices, where available, or at the present value of future cash flows discounted at rates consistent with comparable maturities with similar credit risks. The carrying amount of MidAmerican Energy's variable-rate long-term debt approximates fair value because of the frequent repricing of these instruments at market rates. The following table presents the carrying amount and estimated fair value of MidAmerican Energy's long-term debt (in millions):

	As of June 30, 2009		As of December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	<u>\$ 2,865</u>	<u>\$ 2,983</u>	<u>\$ 2,865</u>	<u>\$ 2,887</u>

#### (4) Risk Management and Hedging Activities

MidAmerican Energy is exposed to the impact of market fluctuations in commodity prices and interest rates. MidAmerican Energy is principally exposed to electricity and natural gas commodity price risk as it has an obligation to serve retail customer load in its regulated service territory. MidAmerican Energy also provides nonregulated retail natural gas and electricity in competitive markets. MidAmerican Energy's load and generation assets represent substantial underlying commodity positions. Exposures to commodity prices consist mainly of variations in the price of fuel to generate electricity, wholesale electricity that is purchased and sold, and natural gas supply for regulated and nonregulated retail customers. Electricity and natural gas prices are subject to wide price swings as supply and demand for these commodities are impacted by, among many other unpredictable items, changing weather, market liquidity, generation plant availability, customer usage, storage, and transmission and transportation constraints. Interest rate risk exists on variable-rate debt, commercial paper and future debt issuances. MidAmerican Energy does not engage in a material amount of proprietary trading activities.

MidAmerican Energy has established a risk management process that is designed to identify, assess, monitor, report, manage and mitigate each of the various types of risk involved in its business. To mitigate a portion of its commodity risk, MidAmerican Energy uses commodity derivative contracts, including forward contracts, futures, options, fixed price and basis swaps and other agreements, to effectively secure future supply or sell future production generally at fixed prices. MidAmerican Energy manages its interest rate risk by limiting its exposure to variable interest rates and by monitoring market changes in interest rates. MidAmerican Energy may from time to time enter into interest rate derivative contracts, such as interest rate swaps or locks, to effectively modify its exposure to interest rate risk. MidAmerican Energy does not hedge all of its commodity price and interest rate risks, thereby exposing the unhedged portion to the risks and benefits of spot-market price movements.

There have been no significant changes in MidAmerican Energy's significant accounting policies related to derivatives. Refer to Notes 2 and 3 of Notes to Consolidated Financial Statements for additional information on derivative contracts.

The following table, which excludes contracts that qualify for the normal purchases or normal sales exemption afforded by GAAP, summarizes the fair value of MidAmerican Energy's derivative contracts, on a gross basis, and reconciles those amounts to the amounts presented on a net basis on the Consolidated Balance Sheet as of June 30, 2009 (in millions):

	<b>Balance Sheet Locations</b>				<b>Total</b>
	<b>Current Assets - Other</b>	<b>Other Assets - Other</b>	<b>Current Liabilities - Other</b>	<b>Other Liabilities - Other</b>	
<b>Not Designated as Hedging Contracts<sup>(1)(2)</sup>:</b>					
Commodity assets	\$ 71	\$ 12	\$ 10	\$ 3	\$ 96
Commodity liabilities	(9)	-	(22)	(6)	(37)
Total	<u>62</u>	<u>12</u>	<u>(12)</u>	<u>(3)</u>	<u>59</u>
<b>Designated as Cash Flow Hedging Contracts<sup>(1)</sup>:</b>					
Commodity assets	-	1	1	-	2
Commodity liabilities	(1)	(1)	(63)	(38)	(103)
Total	<u>(1)</u>	<u>-</u>	<u>(62)</u>	<u>(38)</u>	<u>(101)</u>
<b>Total derivatives</b>	61	12	(74)	(41)	(42)
Cash collateral receivable (payable)	(26)	-	38	6	18
<b>Total derivatives - net basis</b>	<u>\$ 35</u>	<u>\$ 12</u>	<u>\$ (36)</u>	<u>\$ (35)</u>	<u>\$ (24)</u>

- (1) Derivative contracts within these categories are subject to master netting arrangements and are presented on a net basis in the Consolidated Balance Sheet.
- (2) The majority of MidAmerican Energy's commodity derivatives not designated as hedging contracts are recoverable from customers in regulated rates and as of June 30, 2009, a net regulatory liability of \$55 million was recorded related to the net derivative assets of \$59 million.

#### *Not Designated As Hedging Contracts*

For MidAmerican Energy's regulated electric and regulated gas commodity derivatives not designated as hedging contracts, the settled amount is generally recovered from customers in regulated rates. Accordingly, the net unrealized gains and losses associated with interim price movements on contracts that are accounted for as derivatives and probable of recovery in rates are recorded as net regulatory assets or liabilities. The following table reconciles the beginning and ending balances of MidAmerican Energy's net regulatory assets and (liabilities) and summarizes the pre-tax gains and losses on commodity derivative contracts recognized in net regulatory assets and regulatory liabilities, as well as amounts reclassified to earnings (in millions):

	<b>Three-Month Period Ended June 30, 2009</b>	<b>Six-Month Period Ended June 30, 2009</b>
<b>Beginning balance</b>	\$ (70)	\$ 4
Changes in fair value recognized in net regulatory assets and liabilities	(7)	(35)
Gains reclassified to earnings - operating revenue	18	31
Gains reclassified to earnings - cost of fuel, energy and capacity	4	8
Losses reclassified to earnings - cost of gas sold	-	(63)
<b>Ending balance</b>	<u>\$ (55)</u>	<u>\$ (55)</u>

For most of MidAmerican Energy's commodity derivative contracts not designated as hedging contracts and not recorded as a net regulatory asset or liability, unrealized gains and losses are recognized on the Consolidated Statements of Operations as nonregulated operating revenue for sales contracts and as nonregulated costs of sales for purchase contracts and electricity and natural gas swap contracts. MidAmerican Energy also had a weather derivative for which unrealized gains and losses were recognized in regulated cost of gas sold. The following table summarizes the pre-tax gains (losses) included within the Consolidated Statement of Operations associated with MidAmerican Energy's derivative contracts not designated as hedging contracts and not recorded as a net regulatory asset or liability (in millions):

	<b>Three-Month Period Ended June 30, 2009</b>	<b>Six-Month Period Ended June 30, 2009</b>
Nonregulated operating revenue	\$ 1	\$ 19
Regulated cost of gas sold	-	1
Nonregulated cost of sales	<u>2</u>	<u>(13)</u>
Total	<u>\$ 3</u>	<u>\$ 7</u>

*Designated as Cash Flow Hedging Contracts*

MidAmerican Energy uses derivative contracts accounted for as cash flow hedges to hedge electricity and natural gas commodity prices for delivery to nonregulated customers.

The following table reconciles the beginning and ending balances of MidAmerican Energy's accumulated other comprehensive loss (pre-tax) and summarizes pre-tax gains and losses on derivative contracts designated and qualifying as cash flow hedges recognized in other comprehensive income ("OCI"), as well as amounts reclassified to earnings during the three- and six-month periods ended June 30, 2009 (in millions):

	<b>Three-Month Period Ended June 30, 2009</b>	<b>Six-Month Period Ended June 30, 2009</b>
<b>Beginning balance</b>	\$ 134	\$ 80
(Gains) losses recognized in OCI	(6)	70
Losses reclassified to earnings - nonregulated cost of sales	<u>(27)</u>	<u>(49)</u>
<b>Ending balance</b>	<u>\$ 101</u>	<u>\$ 101</u>

Realized gains and losses on all hedges and hedge ineffectiveness are recognized in income as nonregulated operating revenue or nonregulated cost of sales depending upon the nature of the item being hedged. For the three- and six-month periods ended June 30, 2009 and 2008, hedge ineffectiveness was insignificant. As of June 30, 2009, MidAmerican Energy had cash flow hedges with expiration dates extending through December 2013 and \$64 million of pre-tax net unrealized losses are forecasted to be reclassified from accumulated other comprehensive loss into earnings over the next twelve months as contracts settle.

The following table summarizes the net notional amounts of outstanding derivative contract volumes with fixed price terms that comprise the mark-to-market values (in millions):

	<u>Unit of Measure</u>	<u>As of June 30, 2009</u>
<b>Commodity contracts:</b>		
Electricity purchases	Megawatt hours	4
Natural gas purchases	Decatherms	22
Fuel purchases	Gallons	4

#### *Credit Risk*

MidAmerican Energy extends unsecured credit to other utilities, energy marketers, financial institutions and other market participants in conjunction with wholesale energy supply and marketing activities. Credit risk relates to the risk of loss that might occur as a result of nonperformance by counterparties of their contractual obligations to make or take delivery of electricity, natural gas or other commodities and to make financial settlements of these obligations. Credit risk may be concentrated to the extent that one or more groups of counterparties have similar economic, industry or other characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in market or other conditions. In addition, credit risk includes not only the risk that a counterparty may default due to circumstances relating directly to it, but also the risk that a counterparty may default due to circumstances involving other market participants that have a direct or indirect relationship with the counterparty.

MidAmerican Energy analyzes the financial condition of each significant wholesale counterparty before entering into any transactions, establishes limits on the amount of unsecured credit to be extended to each counterparty and evaluates the appropriateness of unsecured credit limits on an ongoing basis. To mitigate exposure to the financial risks of wholesale counterparties, MidAmerican Energy enters into netting and collateral arrangements that may include margining and cross-product netting agreements and obtaining third-party guarantees, letters of credit and cash deposits. Counterparties may be assessed interest fees for delayed payments. If required, MidAmerican Energy exercises rights under these arrangements, including calling on the counterparty's credit support arrangement. Based on MidAmerican Energy's policies and risk exposures related to credit, it does not anticipate a material adverse effect on its consolidated financial results as a result of counterparty nonperformance.

#### *Collateral and Contingent Features*

In accordance with industry practice, certain derivative contracts contain provisions that require MidAmerican Energy to maintain specific credit ratings from one or more of the major credit rating agencies on its senior unsecured debt. These derivative contracts may either specifically provide bilateral rights to demand cash or other security if credit exposures on a net basis exceed specified rating-dependent threshold levels ("credit-risk-related contingent features") or provide the right for counterparties to demand "adequate assurance" in the event of a material adverse change in MidAmerican Energy's creditworthiness. These rights can vary by contract and by counterparty. As of June 30, 2009, MidAmerican Energy's credit ratings from the three recognized credit rating agencies were investment grade.

The aggregate fair value of MidAmerican Energy's derivative contracts in liability positions with specific credit-risk-related contingent features totaled \$127 million as of June 30, 2009, for which MidAmerican Energy had posted collateral of \$44 million. If all credit-risk-related contingent features for derivative contracts in liability positions had been triggered as of June 30, 2009, MidAmerican Energy would have been required to post \$66 million of additional collateral. MidAmerican Energy's collateral requirements could fluctuate considerably due to market price volatility, changes in credit ratings or other factors.

## (5) Employee Benefit Plans

MidAmerican Energy sponsors a noncontributory defined benefit pension plan covering substantially all employees of MEHC and its domestic energy subsidiaries other than PacifiCorp. MidAmerican Energy also sponsors certain postretirement health care and life insurance benefits covering substantially all retired employees of MEHC and its domestic energy subsidiaries other than PacifiCorp. Net periodic benefit cost for pension and other postretirement benefit plans included the following components (in millions):

	Three-Month Periods		Six-Month Periods	
	Ended June 30,		Ended June 30,	
	2009	2008	2009	2008
<b>Pension:</b>				
Service cost	\$ 5	\$ 6	\$ 9	\$ 13
Interest cost	13	10	21	20
Expected return on plan assets	(13)	(12)	(21)	(23)
Net amortization	<u>(1)</u>	<u>1</u>	<u>(1)</u>	<u>1</u>
Net periodic benefit cost	<u>\$ 4</u>	<u>\$ 5</u>	<u>\$ 8</u>	<u>\$ 11</u>
<b>Other Postretirement:</b>				
Service cost	\$ 1	\$ 1	\$ 2	\$ 3
Interest cost	2	3	5	7
Expected return on plan assets	(3)	(4)	(5)	(8)
Net amortization	<u>(2)</u>	<u>1</u>	<u>(1)</u>	<u>1</u>
Net periodic benefit cost	<u>\$ (2)</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 3</u>

Employer contributions to pension and other postretirement benefit plans are expected to be \$8 million and \$8 million, respectively, during 2009. As of June 30, 2009, \$3 million and \$6 million of contributions had been made to pension and other postretirement benefit plans, respectively.

## (6) Commitments and Contingencies

### *Legal Matters*

MidAmerican Energy is a party to a variety of legal actions or claims arising out of the normal course of business. Plaintiffs occasionally seek punitive or exemplary damages. MidAmerican Energy does not believe that such normal and routine matters will have a material effect on its consolidated financial results.

### *Environmental Matters*

#### *Climate Change*

In June 2009, the United States House of Representatives passed the American Clean Energy and Security Act of 2009 (“Waxman-Markey bill”) introduced by Representatives Henry Waxman and Edward Markey. In addition to a federal renewable portfolio standard, which would require utilities to obtain a portion of their energy from certain qualifying renewable sources, and energy efficiency measures, the bill requires a reduction in greenhouse gas emissions beginning in 2012, with emission reduction targets of 3% below 2005 levels by 2012; 17% below 2005 levels by 2020; 42% below 2005 levels by 2030; and 83% below 2005 levels by 2050 under a “cap and trade” program. Similar bills seeking to create “cap and trade” systems for greenhouse gas emissions have also been introduced in the United States Senate. If the Waxman-Markey bill or some other federal comprehensive climate change bill were to pass both Houses of Congress and be signed into law by the President, the impact on MidAmerican Energy’s financial performance could be material and would depend on a number of factors, including the required timing and level of greenhouse gas reductions, the price and availability of offsets and allowances used for compliance and the ability of MidAmerican Energy to receive revenue from customers for increased costs. The new law would likely result in increased operating costs and expenses, additional capital expenditures

and asset retirements and may negatively impact demand for electricity. MidAmerican Energy expects it will be allowed to recover the costs to comply with climate change requirements.

**(7) Income Taxes**

The effective tax rates were 10% and 22% for the three-month periods ended June 30, 2009 and 2008, respectively, and 14% and 25% for the six-month periods ended June 30, 2009 and 2008, respectively. The decrease in the 2009 effective tax rates compared to 2008 was due to the benefit of additional production tax credits and the effects of ratemaking.

**(8) Comprehensive Income and Components of Accumulated Other Comprehensive Loss, Net**

Comprehensive income consists of the following components (in millions):

	<b>Three-Month Periods Ended June 30,</b>		<b>Six-Month Periods Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net income	\$ 46	\$ 60	\$ 145	\$ 167
Other comprehensive income (loss):				
Fair value adjustment on cash flow hedges, net of tax of \$13, \$2, \$(9) and \$10	20	5	(12)	16
Unrealized losses on available-for-sale securities, net of tax of \$(1), \$(2), \$(1) and \$(4)	(3)	(3)	(3)	(5)
Total other comprehensive income (loss)	17	2	(15)	11
Comprehensive income	<u>\$ 63</u>	<u>\$ 62</u>	<u>\$ 130</u>	<u>\$ 178</u>

Accumulated other comprehensive loss, net consists of the following components (in millions):

	<b>As of</b>	
	<b>June 30, 2009</b>	<b>December 31, 2008</b>
Fair value adjustment on cash flow hedges, net of tax of \$(40) and \$(31)	\$ (61)	\$ (49)
Unrealized losses on available-for-sale securities, net of tax of \$(9) and \$(8)	(14)	(11)
Total accumulated other comprehensive loss, net	<u>\$ (75)</u>	<u>\$ (60)</u>

**(9) Segment Information**

MidAmerican Energy has identified three reportable operating segments: regulated electric, regulated gas and nonregulated energy. The regulated electric segment derives most of its revenue from regulated retail sales of electricity to residential, commercial, and industrial customers and from wholesale sales. The regulated gas segment derives most of its revenue from regulated retail sales of natural gas to residential, commercial, and industrial customers and also obtains significant revenue by transporting gas owned by others through its distribution system. Pricing for regulated electric and regulated gas sales are established separately by regulatory agencies; therefore, management also reviews each segment separately to make decisions regarding allocation of resources and in evaluating performance. The nonregulated energy segment derives most of its revenue from nonregulated retail electric and gas activities. Common operating costs, interest income, interest expense and income tax expense are allocated to each segment based on certain factors, which primarily relate to the nature of the cost.

The following tables provide information on a reportable operating segment basis (in millions):

	<b>Three-Month Periods Ended June 30,</b>		<b>Six-Month Periods Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Operating revenue:</b>				
Regulated electric	\$ 391	\$ 492	\$ 835	\$ 975
Regulated gas	118	280	506	851
Nonregulated energy	<u>252</u>	<u>307</u>	<u>556</u>	<u>625</u>
Total operating revenue	<u>\$ 761</u>	<u>\$ 1,079</u>	<u>\$ 1,897</u>	<u>\$ 2,451</u>
<b>Depreciation and amortization:</b>				
Regulated electric	\$ 74	\$ 69	\$ 148	\$ 133
Regulated gas	<u>9</u>	<u>8</u>	<u>17</u>	<u>16</u>
Total depreciation and amortization	<u>\$ 83</u>	<u>\$ 77</u>	<u>\$ 165</u>	<u>\$ 149</u>
<b>Operating income:</b>				
Regulated electric	\$ 63	\$ 89	\$ 160	\$ 205
Regulated gas	4	3	47	48
Nonregulated energy	<u>17</u>	<u>11</u>	<u>34</u>	<u>25</u>
Total operating income	<u>\$ 84</u>	<u>\$ 103</u>	<u>\$ 241</u>	<u>\$ 278</u>
			<b>As of</b>	
			<b>June 30, 2009</b>	<b>December 31, 2008</b>
<b>Total assets:</b>				
Regulated electric			\$ 7,273	\$ 7,297
Regulated gas			846	972
Nonregulated energy			<u>231</u>	<u>251</u>
Total assets			<u>\$ 8,350</u>	<u>\$ 8,520</u>

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Managers and Member  
MidAmerican Funding, LLC  
Des Moines, Iowa

We have reviewed the accompanying consolidated balance sheet of MidAmerican Funding, LLC and subsidiaries (the “Company”) as of June 30, 2009, and the related consolidated statements of operations for the three-month and six-month periods ended June 30, 2009 and 2008, and of cash flows and changes in equity for the six-month periods ended June 30, 2009 and 2008. These interim financial statements are the responsibility of the Company’s management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet and consolidated statement of capitalization (not presented herein) of MidAmerican Funding, LLC and subsidiaries as of December 31, 2008, and the related consolidated statements of operations, comprehensive income, cash flows, and retained earnings for the year then ended prior to retrospective adjustment for the adoption of FASB Statement No. 160, “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51” (not presented herein); and in our report dated February 27, 2009, we expressed an unqualified opinion on those consolidated financial statements. We also audited the adjustments described in Note 2 that were applied to retrospectively adjust the December 31, 2008 consolidated balance sheet of MidAmerican Funding, LLC and subsidiaries (not presented herein). In our opinion, such adjustments are appropriate and have been properly applied to the previously issued consolidated balance sheet in deriving the accompanying retrospectively adjusted consolidated balance sheet as of December 31, 2008.

/s/ Deloitte & Touche LLP

Des Moines, Iowa  
August 7, 2009

**MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (Unaudited)**  
(Amounts in millions)

	As of	
	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
Utility plant, net:		
Electric	\$ 9,230	\$ 8,952
Gas	<u>1,167</u>	<u>1,155</u>
	10,397	10,107
Accumulated depreciation and amortization	<u>(3,543)</u>	<u>(3,426)</u>
	6,854	6,681
Construction work in progress	<u>85</u>	<u>233</u>
Total utility plant, net	<u>6,939</u>	<u>6,914</u>
Current assets:		
Cash and cash equivalents	12	10
Restricted cash and short-term investments	12	15
Receivables, net	322	468
Inventories	144	158
Other	<u>132</u>	<u>114</u>
Total current assets	<u>622</u>	<u>765</u>
Other assets:		
Investments and nonregulated property, net	416	415
Goodwill	1,270	1,270
Regulatory assets	320	368
Other	<u>70</u>	<u>78</u>
Total other assets	<u>2,076</u>	<u>2,131</u>
<b>Total assets</b>	<u><u>\$ 9,637</u></u>	<u><u>\$ 9,810</u></u>
<b>CAPITALIZATION AND LIABILITIES</b>		
Capitalization:		
MidAmerican Funding member's equity	\$ 3,198	\$ 3,081
Noncontrolling interests	31	31
Long-term debt, excluding current portion	<u>3,390</u>	<u>3,390</u>
Total capitalization	<u>6,619</u>	<u>6,502</u>
Current liabilities:		
Short-term debt	207	457
Note payable to affiliate	247	59
Current portion of long-term debt	-	175
Accounts payable	191	352
Taxes accrued	102	104
Interest accrued	56	60
Other	<u>94</u>	<u>100</u>
Total current liabilities	<u>897</u>	<u>1,307</u>
Other liabilities:		
Deferred income taxes	808	700
Investment tax credits	35	36
Asset retirement obligations	209	200
Regulatory liabilities	671	659
Other	<u>398</u>	<u>406</u>
Total other liabilities	<u>2,121</u>	<u>2,001</u>
<b>Total capitalization and liabilities</b>	<u><u>\$ 9,637</u></u>	<u><u>\$ 9,810</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

(Amounts in millions)

	Three-Month Periods		Six-Month Periods	
	Ended June 30,		Ended June 30,	
	2009	2008	2009	2008
<b>Operating revenue:</b>				
Regulated electric	\$ 391	\$ 492	\$ 835	\$ 975
Regulated gas	118	280	506	851
Nonregulated	254	309	558	628
Total operating revenue	763	1,081	1,899	2,454
<b>Operating costs and expenses:</b>				
Regulated:				
Cost of fuel, energy and capacity	114	189	250	365
Cost of gas sold	71	232	372	712
Other operating expenses	99	97	205	201
Maintenance	50	61	90	98
Depreciation and amortization	83	77	165	149
Property and other taxes	25	26	54	51
	442	682	1,136	1,576
Nonregulated:				
Cost of sales	229	290	508	589
Other	8	5	15	10
	237	295	523	599
Total operating costs and expenses	679	977	1,659	2,175
<b>Operating income</b>	84	104	240	279
<b>Non-operating income:</b>				
Interest and dividend income	1	2	2	3
Allowance for equity funds	-	7	-	11
Other, net	4	3	5	3
Total non-operating income	5	12	7	17
<b>Fixed charges:</b>				
Interest on long-term debt	48	51	98	98
Other interest expense	-	-	2	2
Allowance for borrowed funds	-	(3)	(1)	(6)
Total fixed charges	48	48	99	94
<b>Income before income tax expense</b>	41	68	148	202
Income tax expense	1	14	15	48
<b>Net income</b>	40	54	133	154
Net income attributable to noncontrolling interests	1	1	1	1
<b>Net income attributable to MidAmerican Funding</b>	\$ 39	\$ 53	\$ 132	\$ 153

The accompanying notes are an integral part of these consolidated financial statements.

**MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**  
(Amounts in millions)

	<b>Six-Month Periods</b>	
	<b>Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 133	\$ 154
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	166	149
Provision for deferred income taxes, net	120	92
Changes in other assets and liabilities	15	14
Other, net	12	(13)
Changes in other operating assets and liabilities:		
Receivables, net	144	(84)
Inventories	13	27
Derivative collateral, net	12	(14)
Accounts payable	(112)	8
Taxes accrued	(31)	5
Other current assets and liabilities	-	12
Net cash flows from operating activities	<u>472</u>	<u>350</u>
<b>Cash flows from investing activities:</b>		
Utility construction expenditures	(235)	(560)
Purchases of available-for-sale securities	(180)	(72)
Proceeds from sales of available-for-sale securities	167	69
Net decrease in restricted cash and short-term investments	3	-
Other, net	13	1
Net cash flows from investing activities	<u>(232)</u>	<u>(562)</u>
<b>Cash flows from financing activities:</b>		
Dividends paid	(1)	(1)
Proceeds from long-term debt	-	349
Repayment of long-term debt	(175)	-
Net change in note payable to affiliate	188	12
Net repayments of short-term debt	(250)	(86)
Other, net	-	2
Net cash flows from financing activities	<u>(238)</u>	<u>276</u>
<b>Net change in cash and cash equivalents</b>	2	64
<b>Cash and cash equivalents at beginning of period</b>	<u>10</u>	<u>12</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 12</u>	<u>\$ 76</u>

The accompanying notes are an integral part of these consolidated financial statements.

**MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)**  
(Amounts in millions)

	<u>MidAmerican Funding Member's Equity</u>				<u>Total</u>
	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss), Net</u>	<u>Noncontrolling Interests</u>	
<b>Balance, January 1, 2008</b>	\$ 1,670	\$ 1,154	\$ 1	\$ 31	\$ 2,856
Net income	-	153	-	1	154
Other comprehensive income	-	-	11	-	11
Distributions	-	-	-	(1)	(1)
Other equity transactions	-	(1)	-	-	(1)
<b>Balance, June 30, 2008</b>	<u>\$ 1,670</u>	<u>\$ 1,306</u>	<u>\$ 12</u>	<u>\$ 31</u>	<u>\$ 3,019</u>
<b>Balance, January 1, 2009</b>	\$ 1,670	\$ 1,471	\$ (60)	\$ 31	\$ 3,112
Net income	-	132	-	1	133
Other comprehensive loss	-	-	(15)	-	(15)
Distributions	-	-	-	(1)	(1)
<b>Balance, June 30, 2009</b>	<u>\$ 1,670</u>	<u>\$ 1,603</u>	<u>\$ (75)</u>	<u>\$ 31</u>	<u>\$ 3,229</u>

The accompanying notes are an integral part of these consolidated financial statements.

**MIDAMERICAN FUNDING, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**(1) General**

MidAmerican Funding, LLC (“MidAmerican Funding”) is an Iowa limited liability company with MidAmerican Energy Holdings Company (“MEHC”) as its sole member. MEHC is a consolidated subsidiary of Berkshire Hathaway Inc. MidAmerican Funding’s direct, wholly owned subsidiary is MHC Inc. (“MHC”), which constitutes substantially all of MidAmerican Funding’s assets, liabilities and business activities except those related to MidAmerican Funding’s long-term debt securities. MHC conducts no business other than the ownership of its subsidiaries. MHC’s principal subsidiary is MidAmerican Energy Company (“MidAmerican Energy”), a public utility with electric and natural gas operations. Direct, wholly owned nonregulated subsidiaries of MHC are InterCoast Capital Company, Midwest Capital Group, Inc., MEC Construction Services Co. and MidAmerican Services Company.

The unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the United States Securities and Exchange Commission’s rules and regulations for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements. Management believes the unaudited Consolidated Financial Statements contain all adjustments (consisting only of normal recurring adjustments) considered necessary for the fair presentation of the Consolidated Financial Statements as of June 30, 2009, and for the three- and six-month periods ended June 30, 2009 and 2008. Certain amounts in the prior period Consolidated Financial Statements have been reclassified to conform to the current period presentation. Such reclassifications did not impact previously reported operating income, net income or retained earnings. The results of operations for the three- and six-month periods ended June 30, 2009, are not necessarily indicative of the results to be expected for the full year. MidAmerican Funding has evaluated subsequent events through August 7, 2009, which is the date the unaudited Consolidated Financial Statements were issued.

The preparation of the unaudited Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from the estimates used in preparing the unaudited Consolidated Financial Statements. Note 2 of Notes to Consolidated Financial Statements included in MidAmerican Funding’s Annual Report on Form 10-K for the year ended December 31, 2008, describes the most significant accounting policies used in the preparation of the Consolidated Financial Statements. There have been no significant changes in MidAmerican Funding’s assumptions regarding significant accounting estimates and policies during the six-month periods ended June 30, 2009.

**(2) New Accounting Pronouncements**

Refer to Note 2 of MidAmerican Energy’s Notes to Consolidated Financial Statements.

In December 2007, the Financial Accounting Standards Board (the “FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 160, “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51” (“SFAS No. 160”). SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. MidAmerican Funding adopted SFAS No. 160 on January 1, 2009. The implementation of SFAS No. 160 did not have a material impact on MidAmerican Funding’s Consolidated Financial Statements. On the Consolidated Balance Sheets, MidAmerican Energy preferred securities, which was previously reported separately in the capitalization section, is now included in noncontrolling interests. Also, MidAmerican Funding has presented net income attributable to noncontrolling interests separately on the Consolidated Statements of Operations. Previously, these amounts were reported as preferred dividends of subsidiaries on the Consolidated Statements of Operations.

**(3) Fair Value Measurements**

Refer to Note 3 of MidAmerican Energy's Notes to Consolidated Financial Statements.

MidAmerican Funding's long-term debt is carried at cost in the Consolidated Financial Statements. The fair value of MidAmerican Funding's long-term debt has been estimated based upon quoted market prices, where available, or at the present value of future cash flows discounted at rates consistent with comparable maturities with similar credit risks. The carrying amount of MidAmerican Funding's variable-rate long-term debt approximates fair value because of the frequent repricing of these instruments at market rates. The following table presents the carrying amount and estimated fair value of MidAmerican Funding's long-term debt (in millions):

	<u>As of June 30, 2009</u>		<u>As of December 31, 2008</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	<u>\$ 3,390</u>	<u>\$ 3,549</u>	<u>\$ 3,565</u>	<u>\$ 3,610</u>

**(4) Risk Management and Hedging Activities**

Refer to Note 4 of MidAmerican Energy's Notes to Consolidated Financial Statements.

**(5) Employee Benefit Plans**

Refer to Note 5 of MidAmerican Energy's Notes to Consolidated Financial Statements.

**(6) Commitments and Contingencies**

MidAmerican Funding is a party to a variety of legal actions or claims arising out of the normal course of business. Plaintiffs occasionally seek punitive or exemplary damages. MidAmerican Funding does not believe that such normal and routine matters will have a material effect on its consolidated financial results.

Refer to Note 6 of MidAmerican Energy's Notes to Consolidated Financial Statements.

**(7) Income Taxes**

The effective tax rates were 2% and 21% for the three-month periods ended June 30, 2009 and 2008, respectively, and 10% and 24% for the six-month periods ended June 30, 2009 and 2008, respectively. The decrease in the 2009 effective tax rates compared to 2008 was due to the benefit of additional production tax credits and the effects of ratemaking.

**(8) Comprehensive Income and Components of Accumulated Other Comprehensive Loss, Net**

Comprehensive income attributable to MidAmerican Funding consists of the following components (in millions):

	<b>Three-Month Periods</b>		<b>Six-Month Periods</b>	
	<b>Ended June 30,</b>		<b>Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net income attributable to MidAmerican Funding	\$ 39	\$ 53	\$ 132	\$ 153
Other comprehensive income (loss) attributable to MidAmerican Funding:				
Fair value adjustment on cash flow hedges, net of tax of \$13, \$2, \$(9) and \$10	20	5	(12)	16
Unrealized losses on available-for-sale securities, net of tax of \$(1), \$(2), \$(1) and \$(4)	(3)	(3)	(3)	(5)
Total other comprehensive income (loss) attributable to MidAmerican Funding	17	2	(15)	11
Comprehensive income attributable to MidAmerican Funding	\$ 56	\$ 55	\$ 117	\$ 164

Refer to Note 8 of MidAmerican Energy's Notes to Consolidated Financial Statements for the components of accumulated other comprehensive loss, net.

**(9) Segment Information**

MidAmerican Funding has identified three reportable operating segments: regulated electric, regulated gas and nonregulated energy. The regulated electric segment derives most of its revenue from regulated retail sales of electricity to residential, commercial, and industrial customers and from wholesale sales. The regulated gas segment derives most of its revenue from regulated retail sales of natural gas to residential, commercial, and industrial customers and also obtains significant revenue by transporting gas owned by others through its distribution system. Pricing for regulated electric and regulated gas sales are established separately by regulatory agencies; therefore, management also reviews each segment separately to make decisions regarding allocation of resources and in evaluating performance. The nonregulated energy segment derives most of its revenue from nonregulated retail electric and gas activities. Common operating costs, interest income, interest expense and income tax expense are allocated to each segment based on certain factors, which primarily related to the nature of the cost. "Other" in the tables below consists of the nonregulated subsidiaries of MidAmerican Funding not engaged in the energy business and parent company interest expense.

The following tables provide information on a reportable operating segment basis (in millions):

	<b>Three-Month Periods</b>		<b>Six-Month Periods</b>	
	<b>Ended June 30,</b>		<b>Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Operating revenue:</b>				
Regulated electric	\$ 391	\$ 492	\$ 835	\$ 975
Regulated gas	118	280	506	851
Nonregulated energy	252	307	556	625
Other	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>
Total operating revenue	<u>\$ 763</u>	<u>\$ 1,081</u>	<u>\$ 1,899</u>	<u>\$ 2,454</u>
<b>Depreciation and amortization:</b>				
Regulated electric	\$ 74	\$ 69	\$ 148	\$ 133
Regulated gas	<u>9</u>	<u>8</u>	<u>17</u>	<u>16</u>
Total depreciation and amortization	<u>\$ 83</u>	<u>\$ 77</u>	<u>\$ 165</u>	<u>\$ 149</u>
<b>Operating income:</b>				
Regulated electric	\$ 63	\$ 89	\$ 160	\$ 205
Regulated gas	4	3	47	48
Nonregulated energy	17	11	34	25
Other	<u>-</u>	<u>1</u>	<u>(1)</u>	<u>1</u>
Total operating income	<u>\$ 84</u>	<u>\$ 104</u>	<u>\$ 240</u>	<u>\$ 279</u>

	<b>As of</b>	
	<b>June 30,</b>	<b>December 31,</b>
	<b>2009</b>	<b>2008</b>
<b>Total assets<sup>(1)</sup>:</b>		
Regulated electric	\$ 8,464	\$ 8,488
Regulated gas	924	1,051
Nonregulated energy	231	251
Other	<u>18</u>	<u>20</u>
Total assets	<u>\$ 9,637</u>	<u>\$ 9,810</u>

(1) Total assets by operating segment reflect the assignment of goodwill to applicable reporting units.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

MidAmerican Energy Company (“MidAmerican Energy”) is a public utility with electric and natural gas operations and is the principal subsidiary within MidAmerican Funding, LLC (“MidAmerican Funding”).

Management’s Discussion and Analysis (“MD&A”) addresses the financial statements of MidAmerican Funding and its subsidiaries and MidAmerican Energy and its subsidiary as presented in this joint filing. Information in MD&A related to MidAmerican Energy, whether or not segregated, also relates to MidAmerican Funding. Information related to other subsidiaries of MidAmerican Funding pertains only to the discussion of the financial condition and results of operations of MidAmerican Funding. Where necessary, discussions have been segregated under the heading “MidAmerican Funding” to allow the reader to identify information applicable only to MidAmerican Funding.

MD&A should be read in conjunction with the financial statements included in this Form 10-Q and the notes to those statements, together with MD&A in MidAmerican Energy’s and MidAmerican Funding’s most recently filed Annual Report on Form 10-K.

### **Forward-Looking Statements**

This report contains statements that do not directly or exclusively relate to historical facts. These statements are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can typically be identified by the use of forward-looking words, such as “may,” “could,” “project,” “believe,” “anticipate,” “expect,” “estimate,” “continue,” “intend,” “potential,” “plan,” “forecast,” and similar terms. These statements are based upon MidAmerican Funding’s and MidAmerican Energy’s current intentions, assumptions, expectations and beliefs and are subject to risks, uncertainties and other important factors. Many of these factors are outside the control of MidAmerican Funding or MidAmerican Energy and could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include, among others:

- general economic, political and business conditions in the jurisdictions in which MidAmerican Energy’s facilities operate;
- changes in governmental, legislative, or regulatory requirements affecting MidAmerican Energy or the electric or gas utility industries;
- changes in, and compliance with, environmental laws, regulations, decisions and policies that could increase operating and capital costs, reduce plant output or delay plant construction;
- the outcome of general rate cases and other proceedings conducted by regulatory commissions or other governmental and legal bodies;
- changes in economic, industry or weather conditions, as well as demographic trends, that could affect customer growth and usage or supply of electricity and gas;
- a high degree of variance between actual and forecasted load and prices that could impact the hedging strategy and costs to balance electricity and load supply;
- changes in prices and availability for both purchases and sales of wholesale electricity, coal, natural gas, other fuel sources and fuel transportation that could have a significant impact on generation capacity and energy costs;
- the financial condition and creditworthiness of MidAmerican Energy’s significant customers and suppliers;
- changes in business strategy or development plans;
- availability, terms and deployment of capital, including severe reductions in demand for investment grade commercial paper, debt securities and other sources of debt financing and volatility in the London Interbank Offered Rate, the base interest rate for MidAmerican Energy’s credit facilities;
- changes in MidAmerican Energy’s credit ratings;
- performance of MidAmerican Energy’s generating facilities, including unscheduled outages or repairs;
- risks relating to nuclear generation;

- the impact of derivative instruments used to mitigate or manage volume, price and interest rate risks, including increased collateral requirements, and changes in the commodity prices, interest rates and other conditions that affect the value of derivative instruments;
- the impact of increases in healthcare costs and changes in interest rates, mortality, morbidity, investment performance and legislation on pension and other postretirement benefits expense and funding requirements;
- unanticipated construction delays, changes in costs, receipt of required permits and authorizations, ability to fund capital projects and other factors that could affect future generating facilities and infrastructure additions;
- the impact of new accounting pronouncements or changes in current accounting estimates and assumptions on financial results;
- other risks or unforeseen events, including litigation, wars, the effects of terrorism, embargoes and other catastrophic events; and
- other business or investment considerations that may be disclosed from time to time in MidAmerican Funding's or MidAmerican Energy's filings with the United States ("U.S.") Securities and Exchange Commission ("SEC") or in other publicly disseminated written documents.

Further details of the potential risks and uncertainties affecting MidAmerican Funding or MidAmerican Energy are described in their filings with the SEC, including Part II, Item 1A and other discussions contained in this Form 10-Q. MidAmerican Funding and MidAmerican Energy undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors should not be construed as exclusive.

## Results of Operations for the Second Quarter and First Six Months of 2009 and 2008

### Overview

MidAmerican Energy's earnings on common stock for the second quarter of 2009 was \$45 million, a decrease of \$14 million, or 24%, and for the first six months of 2009 was \$144 million, a decrease of \$22 million, or 13%, compared to 2008. Operating income decreased \$19 million for the second quarter of 2009 and \$37 million for the first six months of 2009 compared to 2008 due in large part to the current recessionary economic conditions, which has lowered demand for electricity. Accordingly, prices and volumes for electric wholesale sales and sales volumes for electric retail industrial customers decreased compared to 2008. These decreases were partially offset by greater sales volumes for other retail customers and a lower average cost of energy due in part to reduced costs of purchased energy and the addition of wind-powered generating facilities in 2008. As a result of the increase in wind-powered generation plant, depreciation expense increased compared to the second quarter and first six months of 2008. Maintenance expense decreased for 2009 due to significant emergency storm restoration in 2008 and less maintenance of fossil-fueled generating plant in 2009. Additionally, a reduction in income taxes for 2009 due to the benefits of additional production tax credits in 2009 and the effects of ratemaking, partially offset the decreases in pre-tax income. Net income attributable to MidAmerican Funding for the second quarter of 2009 was \$39 million, a decrease of \$14 million, or 26%, and for the first six months of 2009 was \$132 million, a decrease of \$21 million, or 14%, compared to 2008.

### Regulated Electric Gross Margin

	<u>Second Quarter</u>				<u>First Six Months</u>			
	<u>2009</u>	<u>2008</u>	<u>Change</u>		<u>2009</u>	<u>2008</u>	<u>Change</u>	
<b>Gross margin (in millions):</b>								
Operating revenue	\$ 391	\$ 492	\$ (101)	(21)%	\$ 835	\$ 975	\$ (140)	(14)%
Less - cost of fuel, energy and capacity	<u>114</u>	<u>189</u>	<u>(75)</u>	(40)	<u>250</u>	<u>365</u>	<u>(115)</u>	(32)
Electric gross margin	<u>\$ 277</u>	<u>\$ 303</u>	<u>\$ (26)</u>	(9)	<u>\$ 585</u>	<u>\$ 610</u>	<u>\$ (25)</u>	(4)
<b>Sales (Gigawatt hours ("GWh")):</b>								
Retail	4,832	5,012	(180)	(4)%	9,889	10,248	(359)	(4)%
Wholesale	<u>2,631</u>	<u>3,536</u>	<u>(905)</u>	(26)	<u>6,542</u>	<u>7,178</u>	<u>(636)</u>	(9)
Total	<u>7,463</u>	<u>8,548</u>	<u>(1,085)</u>	(13)	<u>16,431</u>	<u>17,426</u>	<u>(995)</u>	(6)

Electric gross margin for the second quarter of 2009 decreased \$26 million compared to the second quarter of 2008 due to a \$26 million decrease in gross margin on electric wholesale sales, which include sales of energy to markets operated by regional transmission organizations, other utilities, municipalities and marketers inside and outside of MidAmerican Energy's balancing authority area. The decrease in electric wholesale gross margin was due to a significant reduction in the average margin on sales and a 26% decrease in wholesale volumes principally as a result of current economic conditions, which have created downward pressure on prices in the market and reduced demand for electricity. Gross margin on electric retail sales was relatively unchanged compared to the second quarter of 2008, with an economically-driven lower industrial load being substantially offset by lower costs of purchased electricity and natural gas, the effects of warmer temperatures in the service territory, and customer growth. Additionally, recovery of electric energy efficiency program costs increased \$2 million compared to the second quarter of 2008, contributing to electric retail gross margin. Changes in the recovery of energy efficiency program costs are substantially matched by changes in other operating expenses. In total, retail sales volumes decreased 4% for the second quarter of 2009 compared to the second quarter of 2008.

Electric gross margin for the first six months of 2009 decreased \$25 million compared to the first six months of 2008. Electric wholesale gross margin decreased \$40 million primarily due to a significant reduction in the average margin on wholesale sales as a result of the current economy's downward pressure on prices in the wholesale market. A 9% decrease in wholesale sales volumes also contributed to the decrease. Gross margin on electric retail sales increased \$15 million compared to the first six months of 2008 principally due to a reduction in the average cost of purchased electricity and natural gas and less energy produced with natural gas. Customer growth and slightly more favorable temperatures in the service territory also contributed to the increase in electric retail gross margin. The positive impact of these factors was partially offset by a reduction in sales to industrial customers as a result of current economic conditions. Additionally, recovery of electric energy efficiency program costs increased \$5 million compared to the first six months of 2008. Changes in the recovery of energy efficiency program costs are substantially matched by changes in other operating expenses. Income from the sales of renewable energy credits decreased \$2 million.

#### Regulated Gas Gross Margin

	Second Quarter				First Six Months			
	2009	2008	Change		2009	2008	Change	
<b>Gross margin (in millions):</b>								
Operating revenue	\$ 118	\$ 280	\$ (162)	(58)%	\$ 506	\$ 851	\$ (345)	(41)%
Less - cost of gas sold	<u>71</u>	<u>232</u>	<u>(161)</u>	(69)	<u>372</u>	<u>712</u>	<u>(340)</u>	(48)
Gas gross margin	<u>\$ 47</u>	<u>\$ 48</u>	<u>\$ (1)</u>	(2)	<u>\$ 134</u>	<u>\$ 139</u>	<u>\$ (5)</u>	(4)
<b>Sales (000's decatherms ("Dths")):</b>								
Retail	10,789	11,565	(776)	(7)%	48,765	53,065	(4,300)	(8)%
Wholesale	<u>8,537</u>	<u>11,011</u>	<u>(2,474)</u>	(22)	<u>22,930</u>	<u>21,915</u>	<u>1,015</u>	5
Total	<u>19,326</u>	<u>22,576</u>	<u>(3,250)</u>	(14)	<u>71,695</u>	<u>74,980</u>	<u>(3,285)</u>	(4)

Regulated gas revenue includes purchased gas adjustment clauses through which MidAmerican Energy is allowed to recover the cost of gas sold from its retail gas utility customers. Consequently, fluctuations in the cost of gas sold do not directly affect gross margin or net income because regulated gas revenue reflects comparable fluctuations through the purchased gas adjustment clauses. Compared to the second quarter of 2008, MidAmerican Energy's average per-unit cost of gas sold decreased 64%, resulting in a \$130 million decrease in gas revenue and cost of gas sold for the second quarter of 2009. MidAmerican Energy's average per-unit cost of gas sold decreased 45% for the first six months of 2009 compared to the first six months of 2008, resulting in a \$309 million decrease in gas revenue and cost of gas sold. Additionally, regulated gas revenue decreased compared to the second quarter and the first six months of 2008 due to lower retail sales volumes as a result of milder temperatures during 2009 and fewer wholesale market opportunities in the second quarter of 2009.

## Regulated Operating Costs and Expenses

Other operating expenses of \$99 million for the second quarter of 2009 increased \$2 million compared to the second quarter of 2008 due to a \$4 million increase in energy efficiency program costs, which was substantially matched by an increase in related revenue.

Other operating expenses of \$205 million for the first six months of 2009 increased \$4 million compared to the first six months of 2008 due to an \$8 million increase in energy efficiency program costs, which was substantially matched by an increase in related revenue. Additionally, increases in Quad Cities Generating Station costs and a lower property insurance refund were more than offset by the impact of cost containment efforts.

Maintenance expense of \$50 million for the second quarter of 2009 decreased \$11 million compared to the second quarter of 2008 due to a \$6 million decrease in fossil-fueled generation plant maintenance and an \$8 million decrease in costs for emergency response and restoration due to intense storms and extensive flooding in the second quarter of 2008. Maintenance expense increased \$2 million for the second quarter of 2009 due to the addition of new wind-powered generating facilities during 2008.

Maintenance expense of \$90 million for the first six months of 2009 decreased \$8 million compared to the first six months of 2008 due to an \$8 million decrease in costs for emergency response and restoration as a result of the storms and flooding in the second quarter of 2008 and a \$4 million decrease in fossil-fueled generation plant maintenance. Maintenance expense increased \$3 million due to the addition of new wind-powered generating facilities during 2008.

Depreciation and amortization expense of \$83 million for the second quarter of 2009 increased \$6 million compared to the second quarter of 2008. For the first six months of 2009, depreciation and amortization expense of \$165 million increased \$16 million compared to the first six months of 2008. Utility plant depreciation expense increased \$14 million for the second quarter of 2009 and \$29 million for the first six months of 2009 primarily as a result of additional wind-powered generating facilities placed in service in 2008. The increases were partially offset by reductions of \$8 million and \$12 million for the second quarter and first six months of 2009, respectively, in regulatory expense related to a revenue sharing arrangement in Iowa as a result of lower Iowa electric equity returns.

## Nonregulated Gross Margin

	<u>Second Quarter</u>				<u>First Six Months</u>			
	<u>2009</u>	<u>2008</u>	<u>Change</u>		<u>2009</u>	<u>2008</u>	<u>Change</u>	
<b>MidAmerican Energy (in millions):</b>								
Nonregulated operating revenue	\$ 252	\$ 307	\$ (55)	(18)%	\$ 556	\$ 625	\$ (69)	(11)%
Less - nonregulated cost of sales	<u>228</u>	<u>289</u>	<u>(61)</u>	(21)	<u>507</u>	<u>588</u>	<u>(81)</u>	(14)
Nonregulated gross margin	<u>\$ 24</u>	<u>\$ 18</u>	<u>\$ 6</u>	33	<u>\$ 49</u>	<u>\$ 37</u>	<u>\$ 12</u>	32
<b>MidAmerican Funding (in millions):</b>								
Nonregulated operating revenue	\$ 254	\$ 309	\$ (55)	(18)%	\$ 558	\$ 628	\$ (70)	(11)%
Less - nonregulated cost of sales	<u>229</u>	<u>290</u>	<u>(61)</u>	(21)	<u>508</u>	<u>589</u>	<u>(81)</u>	(14)
Nonregulated gross margin	<u>\$ 25</u>	<u>\$ 19</u>	<u>\$ 6</u>	32	<u>\$ 50</u>	<u>\$ 39</u>	<u>\$ 11</u>	28
<b>Nonregulated electric retail sales (GWh)</b>	<u>2,434</u>	<u>2,267</u>	<u>167</u>	7 %	<u>4,809</u>	<u>4,652</u>	<u>157</u>	3 %
<b>Nonregulated gas sales (Dths)</b>	<u>9,065</u>	<u>10,908</u>	<u>(1,843)</u>	(17)%	<u>23,000</u>	<u>26,160</u>	<u>(3,160)</u>	(12)%

Nonregulated revenue and cost of sales for the second quarter of 2009 decreased compared to the second quarter of 2008 due to lower average prices and costs for nonregulated gas sales and a 17% decrease in related sales volumes. An increase in nonregulated electric retail revenue and cost of sales primarily due to a 7% increase in sales volumes partially offset the decreases from nonregulated gas activities. Nonregulated gross margin increased \$6 million compared to the second quarter of 2008 primarily due to a higher gross margin from nonregulated electric sales due to higher price spreads and an increase in sales volumes.

Nonregulated revenue and cost of sales for the first six months of 2009 decreased compared to the first six months of 2008 due to lower average prices and costs for nonregulated gas sales and a 12% decrease in related sales volumes. An increase in nonregulated electric retail revenue and cost of sales due to higher prices and costs and a 3% increase in sales volumes partially offset the decreases from nonregulated gas activities. Nonregulated gross margin increased compared to the first six months of 2008 primarily due to improved price spreads for both nonregulated electric and nonregulated gas sales and an increase in nonregulated electric sales volumes.

### Non-Operating Income

MidAmerican Energy's non-operating income for the second quarter and first six months of 2009 decreased \$6 million and \$10 million, respectively, compared to the second quarter and first six months of 2008 due to a decrease in allowance for equity funds as a result of higher short-term borrowings and a decrease in construction work in progress during 2009. As a regulated public utility, MidAmerican Energy is allowed to capitalize, and record as income, a cost of construction for equity funds used, based on guidelines set forth by the Federal Energy Regulatory Commission ("FERC").

### Fixed Charges

The \$3 million increase in MidAmerican Energy's interest on long-term debt for the first six months of 2009 compared to the first six months of 2008 was due to the issuance of \$350 million of 5.3% Senior Notes in March 2008 partially offset by decreases due to the retirement of long-term debt and lower variable interest rates. MidAmerican Energy is allowed to capitalize, and record as a reduction to fixed charges, a cost of construction for debt funds used, based on guidelines set forth by the FERC. Allowance for borrowed funds decreased \$3 million and \$5 million for the second quarter and first six months of 2009, respectively, due to a decrease in construction work in progress compared to 2008.

In February 2009, MidAmerican Funding repaid \$175 million of 6.339% Senior notes, which reduced its interest on long-term debt for the second quarter and first six months of 2009.

### Income Tax Expense

MidAmerican Energy's income tax expense decreased \$12 million to \$5 million for the second quarter of 2009 with an effective tax rate of 10% compared to 22% for the second quarter of 2008. MidAmerican Energy's income tax expense decreased \$33 million to \$23 million for the first six months of 2009 with an effective tax rate of 14% compared to 25% for the first six months of 2008. The decrease in the 2009 income tax expense and effective tax rates compared to 2008 was due to the benefit of additional production tax credits and the effects of ratemaking.

Federal law provides for federal production tax credits for energy produced by renewable electricity generation facilities, including wind-powered generation, for ten years after the in-service date. MidAmerican Energy's income taxes for the second quarter and first six months of 2009 include \$6 million and \$11 million, respectively, of additional production tax credits compared to the second quarter and first six months of 2008 due to additional wind-powered generation.

State utility rate regulation in Iowa requires that the tax effect of certain timing differences be flowed through immediately to customers. Therefore, amounts that would otherwise have been recognized in income tax expense have been included as changes in regulatory assets. This treatment of such timing differences impacts the effective tax rates from year to year. Accordingly, greater tax depreciation in 2009, due primarily to the addition of wind-powered generation facilities in 2008, decreased the effective tax rate compared to 2008.

MidAmerican Funding's income tax expense decreased \$13 million to \$1 million for the second quarter of 2009 with an effective tax rate of 2% compared to 21% for the second quarter of 2008. MidAmerican Funding's income tax expense decreased \$33 million to \$15 million for the first six months of 2009 with an effective tax rate of 10% compared to 24% for the first six months of 2008.

## **Liquidity and Capital Resources**

As of June 30, 2009, MidAmerican Energy's total net liquidity available was \$509 million consisting of \$11 million of cash and cash equivalents and \$900 million of revolving credit facilities reduced by \$207 million of short-term borrowings and \$195 million of the revolving credit facilities reserved to support MidAmerican Energy's variable-rate tax-exempt bond obligations. As of June 30, 2009, MidAmerican Funding's total net liquidity available was \$514 million, including MHC's \$4 million revolving credit facility.

MidAmerican Energy has restricted cash and investments included in restricted cash and short-term investments and investments and nonregulated property, net on the Consolidated Balance Sheets totaling \$245 million and \$246 million as of June 30, 2009 and December 31, 2008, respectively, related to (i) its debt service reserve requirements relating to certain projects and (ii) trust funds related to nuclear decommissioning. The debt service funds are restricted by the related debt agreement to be used only for qualifying environmental projects.

### Cash Flows From Operating Activities

MidAmerican Energy's net cash flows from operating activities for the six-month periods ended June 30, 2009 and 2008, were \$485 million and \$361 million, respectively. MidAmerican Funding's net cash flows from operating activities for the six-month periods ended June 30, 2009 and 2008, were \$472 million and \$350 million, respectively. The increase was principally due to reduced working capital requirements as a result of lower gas prices, a reduction in income taxes paid resulting from additional production tax credits and greater tax depreciation on increased capital additions in 2009, as well as a return of cash collateral posted for derivative positions.

### Cash Flows From Investing Activities

MidAmerican Energy's net cash flows from investing activities for the six-month periods ended June 30, 2009 and 2008, were \$(232) million and \$(561) million, respectively. MidAmerican Funding's net cash flows from investing activities for the six-month periods ended June 30, 2009 and 2008, were \$(232) million and \$(562) million, respectively. Net cash flows from investing activities consist almost entirely of utility construction expenditures. The decrease in utility construction expenditures is due to the construction of wind-powered generating facilities during 2008.

### Cash Flows From Financing Activities

MidAmerican Energy's net cash flows from financing activities for the six-month periods ended June 30, 2009 and 2008, were \$(251) million and \$264 million, respectively. MidAmerican Funding's net cash flows from financing activities for the six-month periods ended June 30, 2009 and 2008, were \$(238) million and \$276 million, respectively. In 2009, MidAmerican Energy made repayments of short-term debt totaling \$250 million compared to \$86 million in 2008 due to the improvement in cash flows from operating activities and lower requirements for utility construction expenditures. In March 2008, MidAmerican Energy received proceeds from the issuance of its long-term debt totaling \$349 million. In 2009, MidAmerican Funding repaid \$175 million of 6.339% Senior notes and received \$188 million through its note payable with MidAmerican Energy Holdings Company.

### *Debt Authorizations and Related Matters*

MidAmerican Energy has authority from the FERC to issue commercial paper and bank notes aggregating \$1.2 billion through October 30, 2010. MidAmerican Energy currently has two unsecured revolving credit facilities that support its commercial paper program and its variable-rate tax-exempt bond obligations. The \$645 million multi-bank credit facility reduces in July 2012 to \$530 million and expires in July 2013, and the \$250 million bilateral credit facility expires in October 2009. Additionally, MidAmerican Energy has a \$5 million unsecured revolving credit facility for general corporate purposes.

MidAmerican Energy currently has an effective registration statement with the SEC to issue any amount of long-term securities through October 1, 2011. It also has authorization from the FERC to issue long-term securities totaling up to \$870 million through October 30, 2010. Regarding annual and multiple year capital projects, MidAmerican Energy has authorizations from the Illinois Commerce Commission ("ICC"), expiring from October 8, 2010 to October 8, 2012, to issue up to an aggregate of \$993 million of long-term debt securities.

In conjunction with the March 1999 merger, MidAmerican Energy committed to the Iowa Utilities Board (“IUB”) to use commercially reasonable efforts to maintain an investment grade rating on its long-term debt and to maintain its common equity level above 42% of total capitalization unless circumstances beyond its control result in the common equity level decreasing to below 39% of total capitalization. MidAmerican Energy must seek the approval of the IUB of a reasonable utility capital structure if MidAmerican Energy’s common equity level decreases below 42% of total capitalization, unless the decrease is beyond the control of MidAmerican Energy. MidAmerican Energy is also required to seek the approval of the IUB if MidAmerican Energy’s equity level decreases to below 39%, even if the decrease is due to circumstances beyond the control of MidAmerican Energy. If MidAmerican Energy’s common equity level were to drop below the required thresholds, MidAmerican Energy’s ability to issue debt could be restricted. As of June 30, 2009, MidAmerican Energy’s common equity ratio was 48% computed on a basis consistent with its commitment.

### Future Uses of Cash

MidAmerican Energy and MidAmerican Funding have available a variety of sources of liquidity and capital resources, both internal and external, including cash flows from operating activities, public and private debt offerings, the issuance of commercial paper, the use of unsecured revolving credit facilities, and other sources. These sources are expected to provide funds required for current operations, capital expenditures, debt retirements and other capital requirements. The availability and terms under which MidAmerican Energy and MidAmerican Funding have access to external financing depends on a variety of factors, including their credit ratings, investors’ judgment of risk and conditions in the overall capital market, including the condition of the utility industry in general.

### *Utility Construction Expenditures*

MidAmerican Energy’s primary need for capital is utility construction expenditures. MidAmerican Energy’s utility construction expenditures for 2009, excluding the non-cash allowance for equity funds used during construction, are estimated to be approximately \$390 million, which includes \$23 million for emissions control equipment to address current and anticipated air quality regulations and \$367 million for ongoing operational projects, including distribution, transmission, generation and other infrastructure needed to serve existing and expected growing demand. Capital expenditure needs are reviewed regularly by management and may change significantly as a result of such reviews, which may consider, among other factors, changes in rules and regulations, including environmental and nuclear, changes in income tax laws, general business conditions, load projections, system reliability standards, the cost and efficiency of construction labor, equipment and materials, and the cost and availability of capital.

MidAmerican Energy continues to evaluate additional cost effective wind-powered generation. On March 25, 2009, MidAmerican Energy filed with the IUB for its approval of a settlement agreement between MidAmerican Energy and the Iowa Office of Consumer Advocate (“OCA”) in conjunction with MidAmerican Energy’s ratemaking principles application to construct up to 1,001 MW (nameplate ratings) of additional wind-powered generation in Iowa through 2012. MidAmerican Energy has not entered into any contracts for the development or construction of new wind-powered generation or the purchase of any related wind turbines.

MidAmerican Energy is subject to federal, state and local laws and regulations with regard to air and water quality, hazardous and solid waste disposal, protected species and other environmental matters that have the potential to impact MidAmerican Energy’s current and future operations. The future costs (beyond existing planned capital expenditures) of complying with applicable environmental laws, regulations and rules cannot yet be reasonably estimated but could be material to MidAmerican Energy. MidAmerican Energy is not aware of any proven, commercially available technology that eliminates or captures and stores carbon dioxide emissions from coal-fired and gas-fired generation facilities, and MidAmerican Energy is uncertain when, or if, such technology will be commercially available.

MidAmerican Energy has implemented a planning process that forecasts the site-specific controls and actions that may be required to meet emissions reductions as promulgated by the U.S. Environmental Protection Agency (“EPA”). The plan is designed to effectively manage its expenditures required to comply with emissions standards. On April 1, 2008, MidAmerican Energy submitted to the IUB an updated plan, as required every two years by Iowa law, which increased its estimate of required expenditures. That plan estimated that the cost of capital expenditures for emission control equipment included in its plan for compliance with current air quality requirements would total approximately \$260 million for January 1, 2009, through December 31, 2015. Additionally, MidAmerican Energy expects to incur significant incremental operating costs in conjunction with the utilization of the emissions control equipment. Estimates of the environmental capital and operating requirements may change significantly at any time as a result of, among other factors, changes in related regulations, prices of products used to meet the requirements and management’s strategies for achieving compliance with the regulations.

Refer to the “Environmental Regulations” section of Item 1 of MidAmerican Energy’s Annual Report on Form 10-K for the year ended December 31, 2008, Note 6 of Notes to Consolidated Financial Statements included in Item 1 of this Form 10-Q and the “Environmental Regulations” section of this Form 10-Q for a detailed discussion of environmental matters affecting MidAmerican Energy.

### Contractual Obligations

Subsequent to December 31, 2008, there were no material changes outside the normal course of business in MidAmerican Energy’s and MidAmerican Funding’s contractual obligations from the information provided in Item 7 of their Annual Report on Form 10-K for the year ended December 31, 2008. Additionally, refer to the “Utility Construction Expenditures” discussion included in Liquidity and Capital Resources.

### **Environmental Regulations**

In addition to the updates contained herein, refer to Note 6 of Notes to Consolidated Financial Statements included in Item 1 of this Form 10-Q and Item 1 of MidAmerican Energy’s and MidAmerican Funding’s Annual Report on Form 10-K for the year ended December 31, 2008, for additional information regarding certain environmental matters affecting MidAmerican Energy’s operations.

### *Climate Change*

In April 2009, the Environmental Protection Agency (“EPA”) issued a proposed finding, in response to the United States Supreme Court’s 2007 decision in the case of *Massachusetts v. EPA*, that under Section 202(a) of the Clean Air Act six greenhouse gases - carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride - threaten the public health and welfare of current and future generations. The finding does not include any proposed regulations regarding greenhouse gas emissions; however, such regulatory or legislative action could have a significant adverse impact on MidAmerican Energy’s current and future fossil-fueled generating facilities.

### **Credit Ratings**

MidAmerican Energy’s senior unsecured debt credit ratings are as follows: Moody’s Investor Service, “A2/stable;” Standard & Poor’s, “A-/stable;” and Fitch Ratings, “A/stable.” Debt and preferred securities of MidAmerican Energy are rated by nationally recognized credit rating agencies. Assigned credit ratings are based on each rating agency’s assessment of MidAmerican Energy’s ability to, in general, meet the obligations of its issued debt or preferred securities. The credit ratings are not a recommendation to buy, sell or hold securities, and there is no assurance that a particular credit rating will continue for any given period of time.

MidAmerican Funding and MidAmerican Energy have no credit rating downgrade triggers that would accelerate the maturity dates of their outstanding debt, and a change in ratings is not an event of default under the applicable debt instruments. MidAmerican Energy’s unsecured revolving credit facilities do not require the maintenance of a minimum credit rating level in order to draw upon their availability, but are subject to certain covenant tests. However, commitment fees and interest rates under the credit facilities are tied to credit ratings and increase or decrease when the ratings change. A ratings downgrade could also increase the future cost of commercial paper, short- and long-term debt issuances or new credit facilities.

In accordance with industry practice, certain agreements, including derivative contracts, contain provisions that require MidAmerican Energy to maintain specific credit ratings on their unsecured debt from one or more of the major credit ratings agencies. These agreements, including derivative contracts, may either specifically provide bilateral rights to demand cash or other security if credit exposures on a net basis exceed specified rating-dependent threshold levels (“credit-risk-related contingent features”) or provide the right for counterparties to demand “adequate assurance” in the event of a material adverse change in MidAmerican Energy’s creditworthiness. These rights can vary by contract and by counterparty. If all credit-risk-related contingent features or adequate assurance provisions for these agreements, including derivative contracts, had been triggered as of June 30, 2009, MidAmerican Energy would have been required to post \$270 million of additional collateral. MidAmerican Energy’s collateral requirements could fluctuate considerably due to market price volatility, changes in credit ratings or other factors. Refer to Note 4 of Notes to Consolidated Financial Statements included in Item 1 of this Form 10-Q for a discussion of MidAmerican Energy’s collateral requirements specific to its derivative contracts.

### **Transmission System Regulation**

The FERC regulates MidAmerican Energy’s wholesale transmission services. The regulations require MidAmerican Energy to provide open access transmission service at cost-based rates. The FERC also regulates unbundled transmission service to retail customers. These services are offered on a non-discriminatory basis, meaning that all potential customers are provided an equal opportunity to access the transmission system. MidAmerican Energy’s transmission services are managed and operated independently from its wholesale marketing activities in accordance with the FERC Standards of Conduct. MidAmerican Energy is not part of a regional transmission operator (“RTO”), but it has hired an independent transmission service coordinator (“TSC”) to administer through August 2009 various MidAmerican Energy Open Access Transmission Tariff functions. The FERC approved MidAmerican Energy’s selection of the TSC and the related agreement.

MidAmerican Energy has determined that participation in an RTO market as a transmission owning member would provide it with enhanced wholesale marketing opportunities through greater access to wholesale electric buyers. While MidAmerican Energy would retain ownership of its transmission assets, the RTO would be responsible for the operation of the transmission system and the administration of transmission services. MidAmerican Energy has received the necessary regulatory approvals to become a participant in the MISO market as a transmission owning member. Subject to completion of integration efforts, MidAmerican Energy anticipates its participation date will be September 1, 2009.

### **New Accounting Pronouncements**

For a discussion of new accounting pronouncements affecting MidAmerican Energy and MidAmerican Funding, refer to Note 2 of Notes to Consolidated Financial Statements included in Item 1 of this Form 10-Q.

### **Critical Accounting Policies**

Certain accounting policies require management to make estimates and judgments concerning transactions that will be settled several years in the future. Amounts recognized in the Consolidated Financial Statements from such estimates are necessarily based on numerous assumptions involving varying and potentially significant degrees of judgment and uncertainty. Accordingly, the amounts currently reflected in the Consolidated Financial Statements will likely increase or decrease in the future as additional information becomes available. Estimates are used for, but not limited to, the accounting for the effects of certain types of regulation, derivatives, impairment of long-lived assets and goodwill, pension and other postretirement benefits, income taxes and revenue recognition - unbilled revenue. For additional discussion of MidAmerican Energy’s and MidAmerican Funding’s critical accounting policies, see Item 7 of their Annual Report on Form 10-K for the year ended December 31, 2008. MidAmerican Energy’s and MidAmerican Funding’s critical accounting policies have not changed materially since December 31, 2008.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

For quantitative and qualitative disclosures about market risk affecting MidAmerican Energy and MidAmerican Funding, see Item 7A of their Annual Report on Form 10-K for the year ended December 31, 2008. MidAmerican Energy's and MidAmerican Funding's exposure to market risk and their management of such risk has not changed materially since December 31, 2008. Refer to Note 4 of Notes to Consolidated Financial Statements included in Item 1 of this Form 10-Q for disclosure of MidAmerican Energy's derivative positions as of June 30, 2009 and December 31, 2008.

**Item 4. Controls and Procedures**

At the end of the period covered by this Quarterly Report on Form 10-Q, the Company (MidAmerican Energy or MidAmerican Funding, as applicable) carried out an evaluation, under the supervision and with the participation of the Company's management, including the Chief Executive Officer (principal executive officer) and the Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended). Based upon that evaluation, the Company's management, including the Chief Executive Officer (principal executive officer) and the Chief Financial Officer (principal financial officer), concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to management, including the Company's Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There has been no change in the Company's internal control over financial reporting during the quarter ended June 30, 2009, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II

### **Item 1. Legal Proceedings**

None.

### **Item 1A. Risk Factors**

Except as discussed below, there has been no material change to MidAmerican Funding's or MidAmerican Energy's risk factors from those disclosed in Item 1A of their Annual Report on Form 10-K for the year ended December 31, 2008.

*MidAmerican Energy is subject to extensive regulations and legislation that affect its operations and costs. These regulations and laws are complex, dynamic and subject to change.*

In June 2009, the United States House of Representatives passed the American Clean Energy and Security Act of 2009 ("Waxman-Markey bill"), introduced by Representatives Henry Waxman and Edward Markey. In addition to a federal renewable portfolio standard, which would require utilities to obtain a portion of their energy from certain qualifying renewable sources, and energy efficiency measures, the bill requires a reduction in greenhouse gas emissions beginning in 2012, with emission reduction targets of 3% below 2005 levels by 2012; 17% below 2005 levels by 2020; 42% below 2005 levels by 2030; and 83% below 2005 levels by 2050 under a "cap and trade" program. Similar bills seeking to create "cap and trade" systems for greenhouse gas emissions have also been introduced in the United States Senate. If the Waxman-Markey bill or some other federal comprehensive climate change bill were to pass both Houses of Congress and be signed into law by the President, the impact on MidAmerican Energy's financial performance could be material and would depend on a number of factors, including the required timing and level of greenhouse gas reductions, the price and availability of offsets and allowances used for compliance, and its ability to receive revenue from customers for increased costs. The new law would likely result in increased operating costs and expenses, additional capital expenditures and asset retirements and may negatively impact demand for electricity. To the extent that MidAmerican Energy is not allowed by its regulators to recover or cannot otherwise recover the costs to comply with climate change requirements, these requirements could have a material adverse impact on MidAmerican Energy's consolidated financial results. Additionally, even if such costs are recoverable in rates, if they are substantial and result in rates increasing to levels that substantially reduce customer demand, this could have a material adverse impact on MidAmerican Energy's consolidated financial results..

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Not applicable.

### **Item 3. Defaults Upon Senior Securities**

Not applicable.

### **Item 4. Submission of Matters to a Vote of Security Holders**

Not applicable.

### **Item 5. Other Information**

Not applicable.

### **Item 6. Exhibits**

The exhibits listed on the accompanying Exhibit Index are filed as a part of this Quarterly Report.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MIDAMERICAN FUNDING, LLC  
MIDAMERICAN ENERGY COMPANY  
Registrants

Date: August 7, 2009

/s/ Thomas B. Specketer  
Thomas B. Specketer  
Vice President and Controller  
of MidAmerican Funding, LLC  
and MidAmerican Energy Company  
(principal financial and accounting officer)

## EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
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MidAmerican Energy

- |      |  |
|------|--|
| 15   | Awareness Letter of Independent Registered Public Accounting Firm.                                   |
| 31.1 | Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

MidAmerican Funding

- |      |  |
|------|--|
| 31.3 | Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.4 | Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.3 | Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.4 | Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

**AWARENESS LETTER OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

MidAmerican Energy Company  
Des Moines, Iowa

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited consolidated interim financial information of MidAmerican Energy Company and subsidiary for the periods ended June 30, 2009 and 2008, as indicated in our report dated August 7, 2009; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, is incorporated by reference in Registration Statement No. 333-153777 on Form S-3.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ Deloitte & Touche LLP

Des Moines, Iowa  
August 7, 2009

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, William J. Fehrman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MidAmerican Energy Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2009

/s/ William J. Fehrman  
William J. Fehrman  
President and Chief Executive Officer  
(principal executive officer)

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Thomas B. Specketer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MidAmerican Energy Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2009

/s/ Thomas B. Specketer  
Thomas B. Specketer  
Vice President and Controller  
(principal financial officer)

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Gregory E. Abel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MidAmerican Funding, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2009

/s/ Gregory E. Abel  
Gregory E. Abel  
President  
(principal executive officer)

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Thomas B. Specketer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MidAmerican Funding, LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2009

/s/ Thomas B. Specketer  
Thomas B. Specketer  
Vice President and Controller  
(principal financial officer)

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, William J. Fehrman, President and Chief Executive Officer of MidAmerican Energy Company (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2009 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 7, 2009

/s/ William J. Fehrman  
William J. Fehrman  
President and Chief Executive Officer  
(principal executive officer)

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Thomas B. Specketer, Vice President and Controller of MidAmerican Energy Company (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2009 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 7, 2009

/s/ Thomas B. Specketer  
Thomas B. Specketer  
Vice President and Controller  
(principal financial officer)

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Gregory E. Abel, President of MidAmerican Funding, LLC (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2009 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 7, 2009

/s/ Gregory E. Abel  
Gregory E. Abel  
President  
(principal executive officer)

**CERTIFICATION PURSUANT TO  
SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Thomas B. Specketer, Vice President and Controller of MidAmerican Funding, LLC (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2009 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 7, 2009

/s/ Thomas B. Specketer  
Thomas B. Specketer  
Vice President and Controller  
(principal financial officer)