JOINT MOTION AND SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release is entered into this 18th day of January, 2007, by and between THE STAFF OF THE ILLINOIS COMMERCE COMMISSION (“Staff”), MIDAMERICAN ENERGY COMPANY (“MidAmerican”), an Iowa corporation, PEOPLE OF THE STATE OF ILLINOIS, through LISA MADIGAN, ILLINOIS ATTORNEY GENERAL (the “Illinois Attorney General”), and the CITIZENS UTILITY BOARD (“CUB”).

WHEREAS, MidAmerican is a multijurisdictional public utility providing natural gas and electric service to customers in the States of Iowa, Illinois, South Dakota and Nebraska;

WHEREAS, approximately 10 percent of both MidAmerican’s total retail public utility customers and the volume of gas delivered to retail customers are in the State of Illinois;
WHEREAS, MidAmerican and its predecessors have engaged in the business of the sale of natural gas commodity at market rates throughout the Midwest, including within and outside of the area where regulated operations are conducted in the State of Illinois ("MidAmerican’s Competitive Gas Business” or “Competitive Gas Business”);

WHEREAS, the costs of gas purchased for the Competitive Gas Business, the associated nongas costs and the revenues received have not been reflected in the Illinois Purchased Gas Adjustment clause or in base rates charged to regulated customers by MidAmerican or its predecessors;

WHEREAS, MidAmerican sought clarification from the Illinois Commerce Commission ("ICC” or “Commission”) that it was conducting its Competitive Gas Business in Illinois in accordance with legal and regulatory requirements and requested a declaratory ruling in Docket No. 03-0659 and the Commission determined that the Illinois Public Utilities Act (“Act”) did not authorize sales of natural gas at untariffed rates and further found that the appropriate treatment of any costs and revenues earned by MidAmerican from its Competitive Gas Business should be considered in purchased gas adjustment reconciliation proceedings pursuant to Section 9-220 of the Act;

WHEREAS, as a direct result of its ruling in Docket No. 03-0659, the Commission initiated Docket No. 04-0392 to determine whether it was appropriate to take any remedial action against MidAmerican as a result of its Competitive Gas Business;

WHEREAS, the General Assembly has enacted SB2525, adding Section 7-210 to the Act, which is entitled “Commission oversight of nonpublic, unregulated sales at retail of natural gas by public utilities” and Staff and MidAmerican disagree with whether
Section 7-210 is to only be applied prospectively or whether Section 7-210 clarifies existing law;

WHEREAS, there are presently pending before the ICC purchased gas adjustment clause reconciliation proceedings for the years 2001 through 2004 involving MidAmerican (ICC Docket Nos. 01-0703, 02-0723, 03-0701, and 04-0679);

WHEREAS, since MidAmerican conducted the Competitive Gas Business prior to 2001, there may be other closed and final purchased gas adjustment clause reconciliation proceedings from years prior to the presently pending purchased gas adjustment clause reconciliation proceedings (ICC Docket Nos. 97-0020, 97-0657, 98-0702, 99-0479 and 00-0716) and there are the prior base rate cases (ICC Docket Nos. 99-0534 and 01-0696), any of which potentially could be reopened to reflect a different treatment of the Competitive Gas Business;

WHEREAS, MidAmerican, Staff, CUB and the Illinois Attorney General are parties or have the rights and privileges afforded to parties to some or all of the proceedings described above (collectively, the “Cases”);

WHEREAS, the Parties wish to fully adjust, compromise and settle all rights and claims associated with the Cases that directly or indirectly arise from or relate to the Competitive Gas Business; and

WHEREAS, this Agreement is a compromise and does not constitute (1) the agreement of any Party with any of the legal or factual positions expressed by another Party in any or all of the Cases or (2) an admission by or finding against MidAmerican that any of the conduct alleged in the Cases was wrongful, unlawful or in violation of any law, rule or regulation.
NOW THEREFORE, MidAmerican, Staff, the Illinois Attorney General and CUB agree as follows:

I. CUSTOMER CREDITS

A. **Credit to Customers.** MidAmerican agrees to credit the total sum of $5,053,533 to its customers in a manner consistent with the terms of this Agreement.

   The credit to customers shall be paid as follows:

   1. For the billing period immediately following the Commission’s approval of this Agreement, MidAmerican shall include as a Factor O in its Gas Charge the amount set forth above.

   2. This amount shall be considered inclusive of interest. There shall be no additional accrual of interest on the amount to be credited.

B. **ICC Approval of Credit.** The final disposition of the Cases consistent with the terms of this Settlement Agreement is subject to the approval of the ICC, which as provided herein is a condition precedent to the terms of this Agreement.

C. **Parties’ Cooperation to Obtain ICC Approval.** The Parties agree to cooperate and coordinate their activities to obtain Commission approval to fulfill the terms and conditions of this Settlement Agreement and Release.

II. **Effect of Settlement Agreement on Pending, Final and Future Proceedings.**

   A. In full consideration for the benefits to Illinois customers of the credit amounts described in Section A., the Parties agree to jointly present to the Commission the following regarding the Cases:

   1. **2001 Docket No. 01-0703** – A Proposed Order consistent with this Settlement Agreement reflecting resolution of all outstanding litigated issues in this
proceeding, which are whether a credit should be provided to customers as if
MidAmerican had collected imbalance charges on distribution service provided to the
Cordova Energy Center during the reconciliation period and the treatment of costs and
revenues related to the Competitive Gas Business. The Proposed Order shall support the
attached Appendix A Reconciliation Schedule.

2. **2002 Docket No. 02-0723** – A Proposed Order consistent with this
Settlement Agreement reflecting resolution of the outstanding issue in this proceeding,
which is the treatment of costs and revenues related to the Competitive Gas Business.
The Proposed Order shall support the attached Appendix B Reconciliation Schedule.

3. **2003 and 2004 Docket Nos. 03-0701 and 04-0679** – A proposed
Interim Order consistent with this Settlement Agreement reflecting that the final
reconciliation in these proceedings shall not reflect in any way costs, revenues or other
amounts related to the Competitive Gas Business, but the proposed Interim Order will
not resolve any other issues that may be raised with the PGA reconciliations for those
two years, including the prudence of MidAmerican gas procurement efforts during the
applicable reconciliation period, subject to III., C. (Mutual Release).

4. **Remedies Proceeding, Docket No. 04-0392** – A Proposed Order
dismissing this proceeding consistent with the Settlement Agreement without any
additional assessment of remedies.

B. **Final Cases Relating to Prior Years** – The Parties agree they will not
directly or indirectly request the Commission reopen, reconsider or rehear any final
purchased gas adjustment clause reconciliation proceedings (ICC Docket Nos. 97-0020,
97-0657, 98-0702, 99-0479 and 00-0716) or base rate case proceedings (Docket Nos. 99-
0534 and 01-0696) for any purpose directly or indirectly related to the Competitive Gas Business.

C. **CUB and the Illinois Attorney General not to Intervene.** CUB and the Illinois Attorney General agree not to intervene in any of the proceedings listed above to which they are not presently parties.

D. **Docket No. 03-0659** – The Parties will not take any further appeal of the Commission’s order in Docket No. 03-0659.

E. **Applicable to All Proceedings** – The Parties agree not to apply for rehearing or reconsideration of the Cases referred to above in IIA, IIB, IID or to take any other action with respect to those Cases that is directly or indirectly inconsistent with this Settlement Agreement.

**III. MISCELLANEOUS**

A. **Condition Precedent** - This Settlement Agreement shall not become effective unless and until the Commission approves the same in its entirety, without condition or modification. This Settlement Agreement shall become binding upon the Parties upon its execution; provided however, that if this Settlement Agreement does not become effective it shall be null and void and may not subsequently be used as evidence or admission of liability in a subsequent proceeding. This Settlement Agreement is intended to relate only to the specific matters referred to herein; the Parties do not waive any claims or rights which they may otherwise have with respect to any matter not expressly provided for herein.

B. **Entire Agreement and Signatures** - This Settlement Agreement contains the entire agreement between the Parties. There are no additional terms, whether
consistent or inconsistent, oral or written, which have not been incorporated into this Settlement Agreement. Any modification to this Settlement Agreement may only be made by an instrument in writing signed by all Parties.

C. **Mutual Release** – In accordance with the completion of the terms herein, this Settlement Agreement is (1) intended to release and discharge any and all claims, whether they be civil, criminal or quasi-criminal, that Staff, the Illinois Attorney General and CUB ever had, now have, or might have based upon, arising out of, or relating to, MidAmerican's conduct, in whole or in part, of the Competitive Gas Business activities as related to the specific matters described herein for sales of gas conducted through December 31, 2004; and (2) is intended to release and discharge any and all claims that MidAmerican ever had, now have or might have based upon, arising out of or relating to its conduct, in whole or in part, of the Competitive Gas Business activities as related to the specific matters described herein for sales of gas conducted through December 31, 2004.

D. **Authority to Enter into Agreement** – The signatories below acknowledge that they have the lawful authority to bind the parties for whom they are signing to the terms of this Settlement Agreement.

E. **No Admission of Liability** – Nothing in this Settlement Agreement, or any acts performed or documents executed in furtherance of this Settlement Agreement, shall constitute or may be used as an admission that any party to this Settlement Agreement is liable to any other party of the validity of any allegation or claim or defense contained in the Cases.
IV. **JOINT MOTION**

The Parties jointly move the Commission to immediately issue an order approving this Settlement Agreement in its entirety without condition or modification.

**IN WITNESS WHEREOF,** the parties hereto have executed this Joint Motion and Settlement Agreement and Release on the date set forth above.
EXHIBIT 1

THE STAFF OF THE ILLINOIS COMMERCE COMMISSION

BY: 

TITLE: 

THE PEOPLE OF THE STATE OF ILLINOIS
Lisa Madigan, Attorney General

BY: 

TITLE: 

By: The Office of the Illinois Attorney General

THE CITIZENS UTILITY BOARD

BY: 

TITLE: 

MIDAMERICAN ENERGY COMPANY

BY: 

TITLE: 

THE PEOPLE OF THE STATE OF ILLINOIS
Lisa Madigan, Attorney General

BY: James A. Duke

TITLE: Assistant Attorney General
EXHIBIT 1

THE STAFF OF THE ILLINOIS COMMERCE COMMISSION

BY: __________________
TITLE: __________________

THE PEOPLE OF THE STATE OF ILLINOIS
Lisa Madigan, Attorney General

BY: __________________
TITLE: __________________

By: The Office of the Illinois Attorney General

THE CITIZENS UTILITY BOARD

BY: [Signature]
TITLE: Director of Litigation

MIDAMERICAN ENERGY COMPANY

BY: __________________
TITLE: __________________
EXHIBIT 1

THE STAFF OF THE ILLINOIS COMMERCE COMMISSION

BY: __________________________
TITLE: __________________________

THE PEOPLE OF THE STATE OF ILLINOIS
Lisa Madigan, Attorney General

BY: __________________________
TITLE: __________________________

By: The Office of the Illinois Attorney General

THE CITIZENS UTILITY BOARD

BY: __________________________
TITLE: __________________________

MIDAMERICAN ENERGY COMPANY

BY: __________________________
TITLE: Managing Senior Attorney
<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description</th>
<th>Commodity Gas Charge</th>
<th>Non-Commodity Gas Charge</th>
<th>Non-Commodity GSR Gas Cost Charge</th>
<th>Non-Commodity All Other Transition Gas Cost Charge</th>
<th>Settlement Adjustment</th>
<th>Total Gas Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A)</td>
<td>(B)</td>
<td>(C)</td>
<td>(D)</td>
<td>(E)</td>
<td>(F)</td>
<td>(G)</td>
<td>(H)</td>
</tr>
<tr>
<td>1</td>
<td>Unamortized Balance as of 12-31-00 per 2000 Reconciliation</td>
<td>$1,736,321</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$1,736,321</td>
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<tr>
<td>2</td>
<td>Factor A Adjustments Amortized to Schedule 1 at 12-31-00 per 2000 Reconciliation</td>
<td>1,468,777</td>
<td>84,495</td>
<td>$(2,506)</td>
<td>$(30,553)</td>
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<td>1,520,213</td>
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<tr>
<td>3</td>
<td>Factor O Collected/(Refunded) During 2001</td>
<td>-</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Balance to be Collected/(Refunded) During 2001 from prior periods</td>
<td>$3,205,098</td>
<td>$84,495</td>
<td>$(2,506)</td>
<td>$(30,553)</td>
<td>-</td>
<td>$3,256,534</td>
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<tr>
<td>5</td>
<td>2001 Gas Costs</td>
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<td>$6,764,925</td>
<td>$-</td>
<td>$8,670</td>
<td>$(5,053,533)</td>
<td>$37,137,704</td>
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<tr>
<td>6</td>
<td>2001 PGA Revenues</td>
<td>$(41,855,398)</td>
<td>$(7,201,119)</td>
<td>2,190</td>
<td>15,263</td>
<td>-</td>
<td>$(49,039,064)</td>
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<tr>
<td>7</td>
<td>Pipeline Surcharges/(Refunds)</td>
<td>-</td>
<td>- $(16,456)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$(16,456)</td>
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<td>8</td>
<td>Other Adjustments</td>
<td>885</td>
<td>-</td>
<td>28</td>
<td>$(1,650)</td>
<td>-</td>
<td>$(737)</td>
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<tr>
<td>9</td>
<td>Interest</td>
<td>16,001</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,001</td>
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<tr>
<td>10</td>
<td>2001 Under/(Over)-Recovery (sum of lines 5-9)</td>
<td>$(6,420,870)</td>
<td>$(452,650)</td>
<td>$2,218</td>
<td>$22,283</td>
<td>$(5,053,533)</td>
<td>$(11,902,552)</td>
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<tr>
<td>11</td>
<td>Under/(Over)-Recovery Balance at 12/31/01 (line 4 + line 10)</td>
<td>(3,215,772)</td>
<td>(368,155)</td>
<td>(288)</td>
<td>(8,270)</td>
<td>(5,053,533)</td>
<td>(8,646,018)</td>
</tr>
<tr>
<td>12</td>
<td>Factor A Adjustments Amortized to Schedule I at 12/31/01</td>
<td>(1,894,058)</td>
<td>(368,155)</td>
<td>(288)</td>
<td>(8,270)</td>
<td>-</td>
<td>(2,270,771)</td>
</tr>
<tr>
<td>13</td>
<td>Unamortized Balance as of 12-31-01 (per Filing truing up actuals for December 2001)</td>
<td>(1,321,714)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,321,714)</td>
</tr>
<tr>
<td>14</td>
<td>Requested Factor O (line 11 - line 12 - line 13)</td>
<td>$-</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>$(5,053,533)</td>
<td>$(5,053,533)</td>
</tr>
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</table>
## MidAmerican Energy Company
### Total Gas Charge Reconciliation
#### For The Year Ended December 31, 2002
##### Docket No. 02-0723

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description</th>
<th>Commodity Gas Charge</th>
<th>Non-Commodity Gas Charge</th>
<th>Non-Commodity GSR Gas Cost Charge</th>
<th>Non-Commodity All Other Transition Gas Cost Charge</th>
<th>Total Gas Charge</th>
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</thead>
<tbody>
<tr>
<td>(A)</td>
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<td>(C)</td>
<td>(D)</td>
<td>(E)</td>
<td>(F)</td>
<td>(G)</td>
</tr>
<tr>
<td>1</td>
<td>Unamortized Balance as of 12-31-01 per 2001 Reconciliation</td>
<td>$1,321,714</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$(1,321,714)</td>
</tr>
<tr>
<td>2</td>
<td>Factor A Adjustments Amortized to Schedule 1 at 12-31-01 per 2001 Reconciliation</td>
<td>$(1,894,058)</td>
<td>$(368,155)</td>
<td>$(288)</td>
<td>$(8,270)</td>
<td>$(2,270,771)</td>
</tr>
<tr>
<td>3</td>
<td>Factor O to be Refunded In 2007</td>
<td>$(5,053,533)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$(5,053,533)</td>
</tr>
<tr>
<td>4</td>
<td>Balance to be Collected/(Refunded) from prior periods (sum of lines 1-3)</td>
<td>$(8,269,305)</td>
<td>$(368,155)</td>
<td>$(288)</td>
<td>$(8,270)</td>
<td>$(8,646,018)</td>
</tr>
<tr>
<td>5</td>
<td>2002 Gas Costs</td>
<td>$27,179,962</td>
<td>$5,669,100</td>
<td>-</td>
<td>-</td>
<td>$(32,848,163)</td>
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<tr>
<td>6</td>
<td>2002 PGA Revenues</td>
<td>$(23,600,782)</td>
<td>$(5,889,590)</td>
<td>$(906)</td>
<td>$(102)</td>
<td>$(29,291,280)</td>
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<tr>
<td>7</td>
<td>Pipeline Surcharges/(Refunds)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Other Adjustments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td>Interest</td>
<td>$(2,461)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>10</td>
<td>2002 Under/(Over)-Recovery (sum of lines 5-9)</td>
<td>$3,576,719</td>
<td>$(20,490)</td>
<td>$(1,151)</td>
<td>$(3,806)</td>
<td>$(3,551,272)</td>
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<tr>
<td>11</td>
<td>Under/(Over)-Recovery Balance at 12/31/02 (line 4 + line 10)</td>
<td>$(4,692,586)</td>
<td>$(388,645)</td>
<td>$(1,439)</td>
<td>$(12,076)</td>
<td>$(5,094,746)</td>
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<tr>
<td>12</td>
<td>Factor A Adjustments Amortized to Schedule I at 12/31/02</td>
<td>$360,947</td>
<td>$(388,645)</td>
<td>$(1,439)</td>
<td>$(12,076)</td>
<td>$(41,213)</td>
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<tr>
<td>13</td>
<td>Amount to be Refunded In 2007 per settlement</td>
<td>$(5,053,533)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$(5,053,533)</td>
</tr>
<tr>
<td>14</td>
<td>Unamortized Balance as of 12-31-02 (per Filing truing up actuals for December 2002)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>15</td>
<td>Requested Factor O (line 11 - line 12 - line 13)</td>
<td>$</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
</tr>
</tbody>
</table>

**Sources:**
- Column (C): ICC Staff Exhibit 1.00, Schedule 2, column (F)
- Column (D): ICC Staff Exhibit 1.00, Schedule 3, column (F)
- Column (E): ICC Staff Exhibit 1.00, Schedule 4, column (F)
- Column (F): ICC Staff Exhibit 1.00, Schedule 5, column (F)
- Column (G): Sum of Columns (C) thru (F)