EL00-006

DOCKET NO.

In the Matter of IN THE MATTER OF THE APPLICATION OF MIDAMERICAN ENERGY COMPANY FOR DETERMINATIONS PURSUANT TO SECTION 32(k)(2)(A) OF THE PUBLIC UTILITY HOLDING COMPANY ACT

Public Utilities Commission of the State of South Dakota

DATE	MEMORANDA
3/2 00	Filed and Docketed;
5/9 00	Weekly Filings;
6/16 00	Draft Order Reciting Commission Determinations;
6/28 00	Order Reciting Commission Determinations;
6/28 00	Docket Closed.

EL00-006

STATE OF SOUTH DAKOTA

BEFORE THE PUBLIC UTILITIES COMMISSION

RECEIVED

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SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

MidAmerican Energy Company	:	
	:	DOCKET NO.
Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act	:	APPLICATION FOR DETERMINATIONS

Volume 1 of 2

Non-Confidential Information

MidAmerican Energy Company

Randall B. Palmer, Senior Attorney
MidAmerican Energy Company
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Attorney for
MidAmerican Energy Company

MidAmerican
ENERGY

515-281-2970 Facsimile

Randall B. Palmer

March 1, 2000

By UPS Overnight

William Bullard, Jr.
Executive Secretary
South Dakota Public Utilities Commission
Capitol Building
500 East Capitol Avenue
Pierre, South Dakota 57501

Re: Docket No. _____
MidAmerican Energy Company
Application for Determinations

Dear Mr. Bullard:

Enclosed for filing with the Commission in the above-referenced matter are the following documents assembled in 13 two-volume sets (original and twelve copies, including one set for acknowledgment):

- This transmittal letter;
- Petition;
- Motion for Protective Order;
- MidAmerican Exhibit 1.0 – Direct Testimony of Mark W. Roberts;
- MidAmerican Exhibits 1.1, 1.2 and 1.3;
- MidAmerican Exhibit 2.0 – Direct Testimony of William E. Turnbull;
- MidAmerican Exhibit 2.1, 2.2, 2.3, 2.4 and 2.5; and
- MidAmerican Exhibit 3.0 – Direct Testimony of Alan S. Taylor.

Volume 2 (enclosed in an envelope marked "CONFIDENTIAL") consists of confidential documents that are subject to the request for confidential treatment of information described below.

Request for Confidential Treatment of Information

In accordance with Rule 20:10:01:39-42, MidAmerican requests that a portion of the enclosed information be designated as confidential in the Commission's files. In accordance with such Rule, the following information is provided:

(1) Description of Confidential Information –

- MidAmerican Exhibit 1.2 – MidAmerican's 2000-2005 Generation Capacity Plan;
- MidAmerican Exhibit 2.2 – Designation of Non-Affiliated Bidders;
- MidAmerican Exhibit 2.3 – Information related to assumed weighted average cost of capital and discount rate;
- MidAmerican Exhibit 2.4 – Graphs depicting bid analyses;
- MidAmerican Exhibit 2.5 – Analyses of bids.

(2) Length of Time – ten (10) years.

(3) Contact Person –

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(4) and (5) Statutory and Factual Grounds for Confidential Treatment –

- The Confidential Information includes information relating to the future capacity needs of MidAmerican, the identities of bidders in MidAmerican's recent capacity and energy request for proposals and information regarding such bids, MidAmerican's analyses thereof and assumptions used in such analyses. The public disclosure of this information would have a significant adverse impact on MidAmerican's future ability to negotiate competitively priced contracts for the purchase of capacity and energy as well as its ability to participate as a seller in the competitive energy markets. Public disclosure of this information will result in material damage to

MidAmerican
ENERGY

MidAmerican's financial and competitive positions, constitute the disclosure of trade secret information and impair the public interest.

MidAmerican will release the Confidential Information to intervenors in this proceeding subject to an acceptable protective agreement.

The Confidential Information has been marked "CONFIDENTIAL" and is enclosed in envelopes marked "CONFIDENTIAL."

Please send all communications regarding this filing to:

Randall B. Palmer, Senior Attorney
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rbpalmer@midamerican.com

Please acknowledge receipt of this filing on the 13th set and return it in the postage-paid envelope provided.

Sincerely,

Randall B. Palmer

RBP/cap
Enclosures

cc: Cameron Hoseck

STATE OF SOUTH DAKOTA

BEFORE THE PUBLIC UTILITIES COMMISSION

MidAmerican Energy Company	:	
	:	**DOCKET NO. _____**
Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act	:	**APPLICATION FOR DETERMINATIONS**

MidAmerican Energy Company (MidAmerican) submits this Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act (PUHCA).[1] In support of the Application, MidAmerican states:

I. Overview of Application

A. MidAmerican is an Iowa corporation with its principal office located at 666 Grand Avenue, 2900 Ruan Center, Des Moines, Iowa 50309. As a public utility subject to the jurisdiction of the Commission, MidAmerican is engaged in the businesses of supplying electricity and natural gas to the public in South Dakota and other states. In addition, MidAmerican is a public utility subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC), the Iowa Utilities Board and the Illinois Commerce Commission.

B. MidAmerican is a direct wholly-owned subsidiary of MHC Inc. MHC Inc. is an exempt public utility holding company under PUHCA. MHC Inc. is an indirect wholly-owned subsidiary of MidAmerican Energy Holdings Company (MidAmerican Holdings).

[1] 15 U. S. C. § 79z-5a

C. Cordova Energy Company LLC (CEC) is a direct wholly-owned subsidiary of Quad Cities Energy Company (QCEC). QCEC is a direct wholly-owned subsidiary of MidAmerican Holdings.

D. CEC is an affiliate of MidAmerican. Application Exhibit A, attached hereto, shows the relationships of the entities referred to in this Application and the affiliation of MidAmerican and CEC.

E. CEC is constructing the Cordova Energy Center. FERC has determined that CEC is an Exempt Wholesale Generator (EWG).[2]

F. MidAmerican proposes to enter into a Purchase Power Agreement (PPA) with CEC and seeks an order of the Commission setting forth specific determinations by the Commission as required by Section 32(k)(2)(A) of PUHCA concerning the PPA.

II. Overview of evidence offered

A. In support of this Application, MidAmerican will offer the testimony and exhibits of the following witnesses:

1. Mark W. Roberts, MidAmerican Exhibit 1.0 – Mr. Roberts, MidAmerican's Energy Trading and Planning Vice President, will discuss (i) how MidAmerican arrived at the decision to enter into the PPA with CEC, (ii) the Commission's regulatory authority with regard to MidAmerican and its affiliates and (iii) the application of South Dakota regulatory requirements, including any applicable least cost planning regulations.

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[2] *Cordova Energy Company LLC*, 87 FERC ¶ 62,157 (1999).

2. William E. Turnbull, MidAmerican Exhibit 2.0 – Mr. Turnbull, a Long Term Trader for MidAmerican, will describe the request for proposal process that led up to MidAmerican's entering into the PPA and the prices, terms and conditions of the PPA.

3. Alan Taylor, MidAmerican Exhibit 3.0 – Mr. Taylor, a vice president with PHB Hagler Bailly, Inc., will explain why the PPA (i) will be beneficial to consumers, (ii) will not provide CEC with an unfair competitive advantage by virtue of its affiliation with MidAmerican and (iii) is in the public interest.

III. Applicable law

A. PUHCA Section 32(k)(1) prohibits an electric utility company from entering into a contract to purchase electric energy at wholesale from an EWG if the EWG is an affiliate or associated company of the electric utility company unless each of the state regulatory commissions having jurisdiction over the retail rates of the electric utility company have made the specific determinations as described in PUHCA Section 32(k)(2)(A).[3]

B. In regard to the PPA and in accordance with the requirements of PUHCA Section 32(k)(2)(A), MidAmerican requests the Commission to issue an order that sets forth the following specific determinations:

1. the Commission has sufficient regulatory authority, resources and access to books and records of MidAmerican and CEC to exercise its duties under PUHCA Section 32(k)(2); and

[3] MidAmerican is also filing requests for PUHCA Section 32(k)(2)(A) determinations with the Illinois Commerce Commission and the South Dakota Public Utilities Commission.

2. the transaction (i) will benefit consumers, (ii) does not violate any South Dakota law (including, if applicable, least cost planning), (iii) would not provide CEC with any unfair competitive advantage by virtue of its affiliation or association with MidAmerican, and (iv) is in the public interest.

C. In regard to such determinations, MidAmerican states:

1. the Commission, the Iowa Utilities Board and the Illinois Commerce Commission have jurisdiction over the regulated bundled retail rates of MidAmerican;

2. the Commission has sufficient regulatory authority, resources and access to books and records of MidAmerican and CEC to exercise its duties under PUHCA Section 32(k)(2);

3. the execution and performance of the PPA by MidAmerican will benefit consumers;

4. the execution and performance of the PPA by MidAmerican will not violate any South Dakota law, including any applicable least cost planning requirements;

5. the execution and performance of the PPA by MidAmerican will not provide CEC any unfair competitive advantage by virtue of its affiliation or association with MidAmerican; and

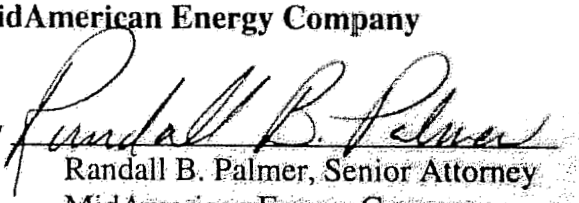
6. the execution and performance of the PPA by MidAmerican is in the public interest.

WHEREFORE, MidAmerican requests the Commission to issue an order setting forth the specific determinations required by PUHCA Section 32(k)(2)(A) with regard to the PPA.

Dated at Des Moines, Iowa, this 1st day of March, 2000.

Respectfully submitted,

MidAmerican Energy Company

By 

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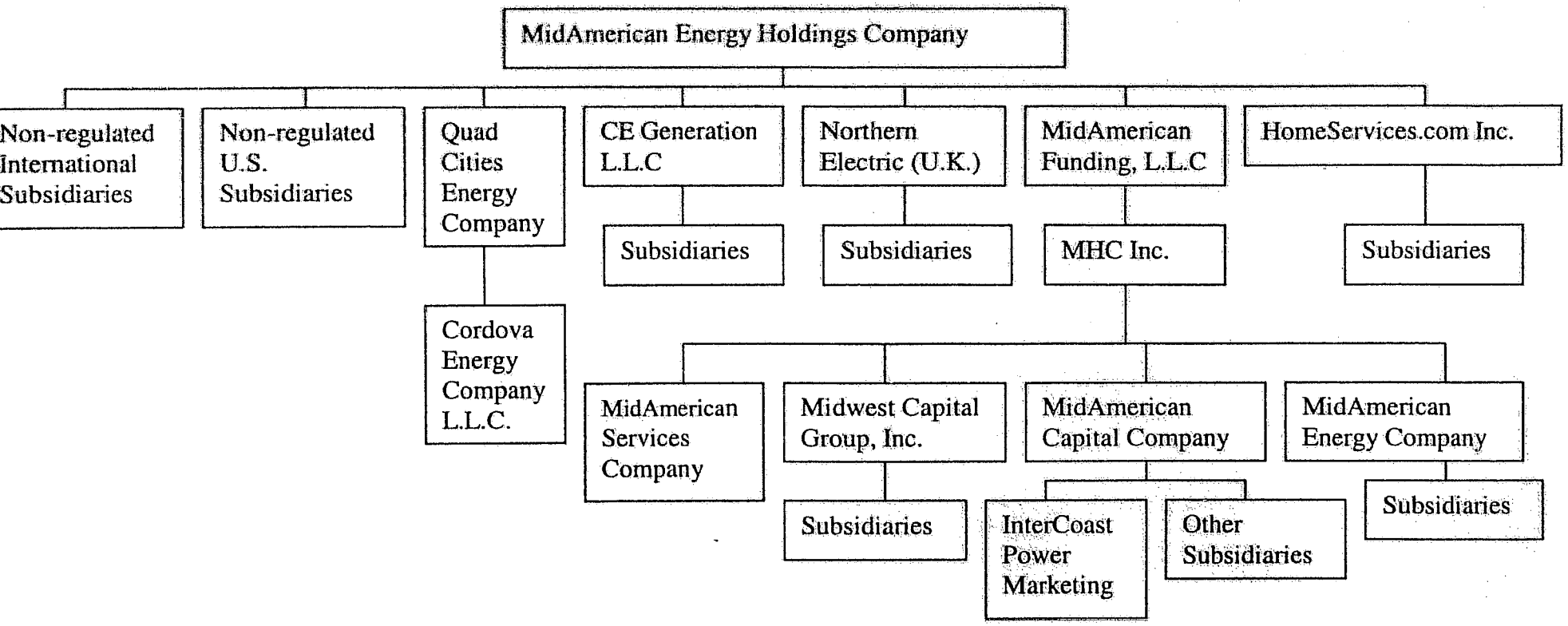
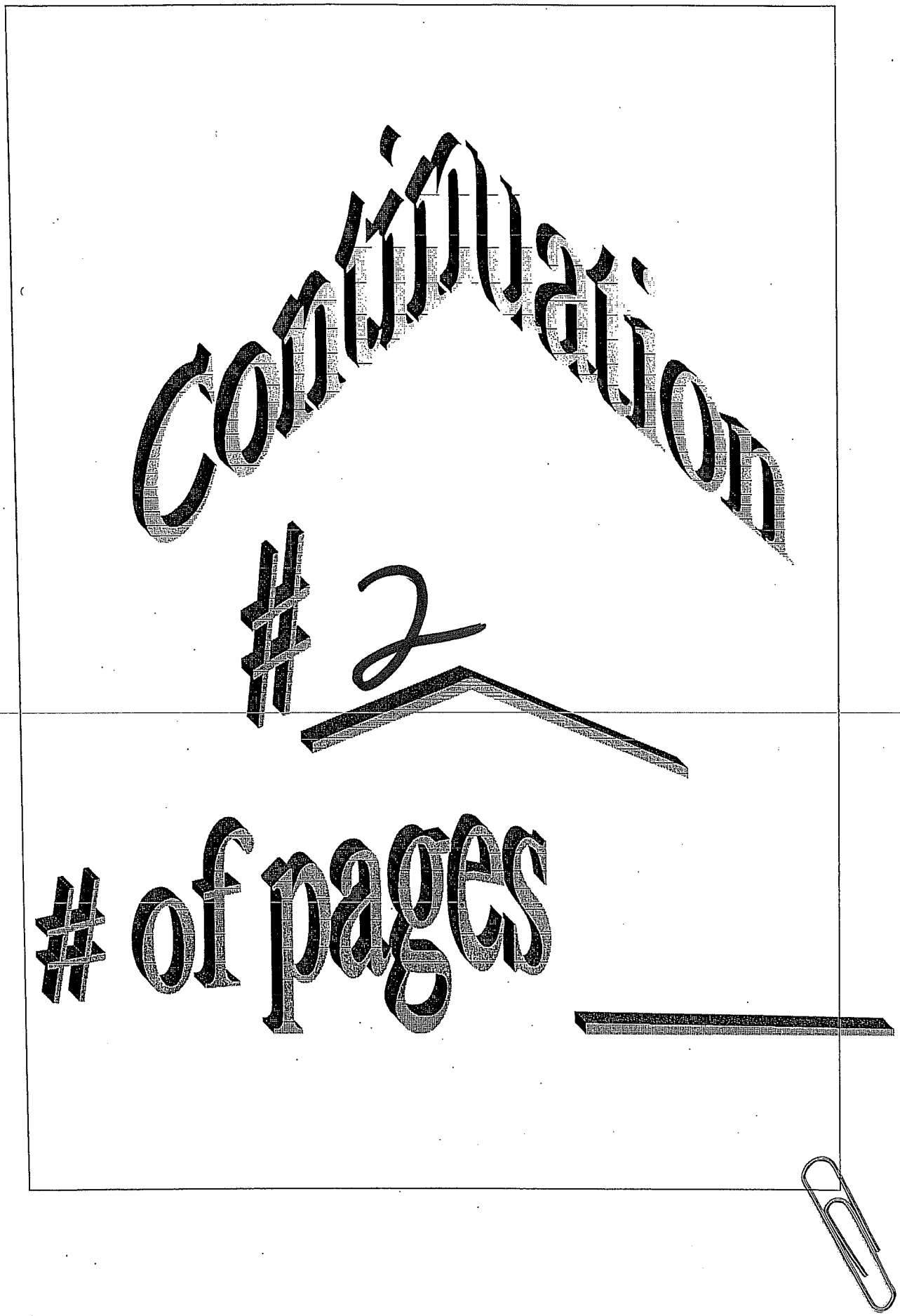
Attorney for MidAmerican Energy Company

CONTINUATION # [1]

MIDAMERICAN ENERGY HOLDINGS COMPANY



Application Exhibit A


Continuation
#2
# of pages

STATE OF SOUTH DAKOTA

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DIRECT TESTIMONY OF MARK W. ROBERTS

Q. Please state your name and business address.

A. Mark W. Roberts. My business address is 4299 Northwest Urbandale Drive, Urbandale, Iowa 50322-7298.

Q. By whom are you employed and in what capacity.

A. I am employed by MidAmerican Energy Company (MidAmerican) as Electric Trading and Planning Vice President.

Q. What is your educational and employment experience?

A. I graduated from Iowa State University with a B. S. degree in Industrial Administration (accounting option) in 1978 and received an MBA from Drake University in 1986. I have been employed by MidAmerican or its predecessors since 1978 in a variety of capacities, including internal auditing, budgeting, special projects, accounting and administrative services, and energy trading and planning. My current responsibilities include electric trading, gas supply and trading, fuel trading and transportation, market assessment and generation business development.

Purpose of Direct Testimony

Q. What is the purpose of your direct testimony in this proceeding?

A. I will discuss (i) how MidAmerican arrived at the decision to enter into the Purchase Power Agreement (PPA) with Cordova Energy Company LLC (CEC), (ii) why the PPA will be beneficial to consumers, (iii) the Commission's regulatory authority with regard to MidAmerican and its affiliates, (iv) the accounting treatment for this affiliate transaction, (v) the application of South Dakota regulatory requirements, including any least-cost planning regulations, to MidAmerican's decision to enter into the PPA, and (vi) why the PPA is in the public interest.

Q. Will others be providing direct testimony on behalf of MidAmerican in this proceeding?

A. Yes. William E. Turnbull, a Long Term Trader in MidAmerican's Electric Trading group, will describe the request for proposal (RFP) process that led up to MidAmerican's decision to enter into the PPA and the prices, terms and conditions of the PPA. Alan S. Taylor, a vice president in the Economics and Analytics practice group of PHB Hagler Bailly, Inc., will explain why the PPA (i) will be beneficial to consumers, (ii) will not provide CEC with an unfair competitive advantage by virtue of its affiliation with MidAmerican, and (iii) is in the public interest.

MidAmerican's decision to enter into the PPA

Q. Is CEC an affiliate of MidAmerican?

A. Yes. The affiliation of MidAmerican and CEC is described in the Petition.

Q. Are you sponsoring the PPA?

A. Yes. It is provided with this testimony as a part of MidAmerican Exhibit 1.1.

Q. Is there a reason that the PPA has not been signed by MidAmerican and CEC at this time?

A. Yes. Section 32(k)(2) of the Public Utility Holding Company Act (PUHCA) requires that MidAmerican seek the Commission's determinations under that section of PUHCA *in advance* of entering into the PPA. However, MidAmerican and CEC have signed a Letter of Intent to enter into the PPA subject to receiving all regulatory approvals. A copy of the Letter of Intent is provided as a part of MidAmerican Exhibit 1.1.

Q. Why has MidAmerican decided to enter into the PPA with CEC?

A. MidAmerican needs the capacity and energy from the PPA in order to meet its expected needs in the June 2001 to May 2004 period covered by the PPA. The PPA also provided better protection against high energy costs during a period of expected continued market uncertainty.

Q. How did MidAmerican evaluate the benefit of having this PPA in place?

A. There are three issues MidAmerican evaluates: (i) the capacity it needs to meet customer peak load needs and MAPP capacity reserve requirements; (ii) the capability to have energy to meet its customers' needs at times when one or more MidAmerican units are out of service; and (iii) the cost of acquiring new capacity versus the resulting market opportunity to sell the capacity and energy.

Q. How does MidAmerican plan to meet the capacity needs of its customers?

A. In July 1999, MidAmerican came within about 1 percent of exceeding the maximum capacity level it could provide without falling deficit of the Mid-Continent Area Power Pool's (MAPP) 15 percent reserve requirement. This margin would have been

summer season. As MidAmerican works on its forecast to project loads and capabilities for the near future, many variables affect the forecasted need for additional MidAmerican capacity. These variables include forecasts of system load growth, adjustments for possible weather conditions, load change due to open access, availability of contracted capacity and retail load changes due to open access. However, as outlined in the MidAmerican Energy Company 2000-2005 Generation Capacity Plan, MidAmerican's medium-term need is to add new capacity to its generation portfolio. In an effort to determine the least-cost option, MidAmerican initiated the RFP in the Spring of 1999 as discussed in greater detail in Mr. Turnbull's testimony.

Q. Is a copy of the MidAmerican Energy Company 2000-2005 Generation Capacity Plan available?

A. Yes. I am providing a copy as MidAmerican Exhibit 1.2.

Q. Why did MidAmerican select 250 MW of combined-cycle capacity as opposed to other options?

A. The answer to this question addresses how we evaluated the capability to meet customers' needs at times when one or more MidAmerican units are out of service. Electric markets prices in 1998 and 1999 were extremely volatile. There is significant chance this volatility will continue until more regional generation capacity is constructed and certain transmission constraints are relieved. Generation equipment supply schedules have significantly lengthened. Therefore, it will take a few years for significant new generation capacity to be constructed. As a result, alternative supplies of capacity with fixed or fuel-cost-limited energy prices are very attractive. By purchasing this level of capacity, and having it tied to a fuel-cost-

limited energy price, MidAmerican will have a better option for assuring adequate competitive supplies over the intermediate period, as compared to subjecting itself to market volatility.

Q. Will you please explain the third evaluation criterion you addressed earlier related to how MidAmerican determines the need for additional capacity (that is, the cost of acquiring new capacity versus the resulting market opportunity to sell the capacity and energy).

A. The third primary evaluation that MidAmerican makes is whether the purchased power agreement being entered into or the capacity being built is lower than the forecast of future market prices. If the purchase or build options results in costs that are expected to be below future market prices, it makes more sense to take that option rather than buy at market prices. Evaluation of this criterion does not address the surety of supply, but it is an evaluation that MidAmerican makes.

Q. In the RFP that MidAmerican sent out April 30 and May 1, 1999,[3] why is it indicated that MidAmerican did not plan to buy capacity and energy from CEC during the initial years of the project's life?

A. At the time the RFP was sent out, MidAmerican employees were under the impression the output of the CEC Plant had been or would be sold to a third party and would not be available for direct sale to MidAmerican. CEC later bid on the MidAmerican RFP, which was unanticipated by MidAmerican.

Q. Will the PPA be entered into by MidAmerican in the ordinary course of business for the purchase of services, supplies or other personal property?

A. Yes. In the ordinary course of its business, MidAmerican relies on a combination of generation it owns and power it purchases to serve its customers' needs. The RFP process conducted by MidAmerican identified the PPA as the best option for meeting customer needs. In such circumstances it is MidAmerican's ordinary practice to execute such a purchase agreement.

Q. To what customers do you refer in your prior answer?

A. I am referring to MidAmerican's native load (bundled service) customers, as well as the customers it will acquire in the competitive markets, both retail and wholesale, as well as a limited number of wholesale, requirements customers.

Q. What other power purchase contracts in excess of one year in term does MidAmerican have?

A. After the year 2000, MidAmerican's remaining long-term power purchase agreements are as follows:

Seller	Capacity	Type	Term
AGP	2 MW	AEP	3/92 through 3/02
BFI Gas Services	4 MW	QSE	7/98 through 7/08
City of Davenport	1 MW	AEP	1/95 through 1/28
Montezuma	2 MW	Peaking	6/99 through 4/04
Upper Rock Energy	6 MW	QSE	7/01 through 7/21
Waste Management of Iowa	6 MW	AEP	11/93 through 11/26
Waverly, Iowa	2 MW	Peaking	7/99 through 10/01
Enron Wind	112.5 MW nameplate ~17 MW accredited	AEP	11/99 through 11/19
NPPD (Cooper)	379 MW	Baseload	through 9/04
Indianola	17 MW MW decline year to year	Peaking	6/00 through Summer '04

Q. If the PPA is signed, what percentage of MidAmerican's total capacity needs will be met by the PPA?

A. Assuming a normal weather forecast and the effects of MidAmerican's energy efficiency and load curtailment programs, this PPA represents approximately 6 percent of MidAmerican's total native load capacity needs (250 MW for CEC ÷ 4,362 MW, the latter representing the forecast for 2001 normal peak load adjusted for reserves).

Q. Assuming the PPA is signed, what percentage of MidAmerican's total capacity needs will be met through long-term power purchase contracts?

A. Assuming the Enron Wind Farm provides approximately 21 MW of accredited capacity during the summer peak, MidAmerican's purchases would represent approximately 16 percent of the required capacity needs for normal weather conditions ((250 MW for CEC + 440 MW from earlier table) ÷ 4,362 MW).

Q. Why did MidAmerican decide to contract for the capacity it needs rather than build new generating capacity?

A. Electric restructuring has been in discussion since 1996 during the same time load growth has slowly but steadily increased. With electric restructuring legislation already passed in Illinois and being considered in Iowa, MidAmerican faces an uncertain long-term environment for retail service within its existing service territories related to the duration and nature of the obligation to supply. However, the uncertainty will be lessened in the future; therefore, contracting for capacity is a good answer at this time. In addition, the term of the contract provides a possible bridge to MidAmerican's changing obligation to continue to provide bundled retail electric service in Illinois. The term of the contract is relatively short, providing a bridge to greater certainty about market conditions and giving MidAmerican time to build

capacity or make other contract arrangements (including DSM), whichever option is most economic.

Q. Why does MidAmerican prefer to enter into this transaction with an affiliate as opposed to entering into a transaction with a third party?

A. This transaction is MidAmerican's lowest cost option for this type of capacity as determined by an open bid process supported with extensive supplier negotiation. MidAmerican wants to remain a low-cost supplier, and this PPA supports that position. MidAmerican provided no advantage or disadvantage to CEC or other bidders in this process; it is taking its lowest-cost option for this type of capacity. CEC provided the low evaluated bid for the supply requested; therefore, entering into an agreement with an unaffiliated party would result in higher costs.

Q. How does MidAmerican view its obligations with respect to affiliate transactions?

A. MidAmerican recognizes and takes seriously its legal and regulatory obligations with respect to affiliate transactions that require certain conduct in potential transactions involving affiliates. Thus, it would be bad business from both regulatory and legal perspectives in several jurisdictions and from the potential customer losses in a competitive environment to incorrectly influence the outcome of the solicitation and the PPA.

Q. Are the prices to be paid by MidAmerican at or below prevailing market prices?

A. Yes. Mr. Turnbull will address market prices in his testimony.

Consumer benefits

Q. If entered into by MidAmerican and CEC, will the PPA be beneficial to MidAmerican's consumers?

A. Yes. As discussed in the testimony provided by Alan Taylor and William Turnbull, the purchase of power and energy from CEC is the better option as compared to MidAmerican's forecast of future market prices. Moreover, the combined-cycle, gas-fired capacity is a good fit with MidAmerican's strong mix of baseload units.

Just as important as these two issues is the way this purchase fits with the risks MidAmerican faces. Those risks fall in two primary categories: (i) capacity risk, and (ii) energy risk. Today, MidAmerican has an obligation to supply its native load customers who do not have the choice to seek competitive supply or do not make that choice. MidAmerican also has an obligation to meet its other firm commitments to supply power and energy. MidAmerican is seeing strong growth in its peak demand, as witnessed by all-time record peaks set in each of the last two years (3,643 MW in 1998 and 3,833 MW in 1999). This growth puts MidAmerican at risk of incurring a MAPP capacity charge of $92,040 per MW if it does not maintain a minimum capacity reserve of 15 percent.

The PPA also helps to assure that energy will be available at the times MidAmerican's customers need it. With transmission capacity tight in the region, MidAmerican runs the risk of not meeting the energy needs of its customers if one of its large units has an outage at the time of high energy needs (i.e., it is possible that energy may not be available at any price at the time of high energy needs and high energy prices).

Both the capacity risk and energy risk are mitigated by the MidAmerican purchase from CEC. The three-year contract will allow MidAmerican time to develop other options for adding capacity.

As the bid process proceeded and Summer 2000 prices and constraints materialized, it became apparent bid options were limited. There are limited options for MidAmerican to add to its proven ability to supply low-cost energy for the 2001 to 2004 period. The purchase from CEC is the lowest cost of the combined-cycle purchase options MidAmerican evaluated.

Q. Will the capacity that MidAmerican purchases from CEC under the PPA be accredited by MAPP?

A. Yes. We expect a preliminary indication of MAPP accreditation no later than July 20, 2000 and that the capacity would be accredited by MAPP in the second quarter of 2001.

Q. Will the PPA and contract with another bidder satisfy the capacity MidAmerican is obligated to have to serve the peak load of its customers and adequately maintain reserve margin, address the capability to have reasonably priced energy available to meet customers' needs at times of system stress, and adequately balance sales versus purchases in the wholesale marketplace?

A. While these purchases address those three needs, during the June 2001 through May 2004 additional resources are likely to be needed.

Commission's regulatory authority

Q. One of the determinations that the Commission must make under Section 32(k)(2)(A) of PUHCA with regard to the PPA is that the Commission has sufficient regulatory authority, resources and access to books and records of MidAmerican and any relevant associate, affiliate or subsidiary company. Please describe the Commission's regulatory authority, resources and access to the books and records of MidAmerican.

A. Although the Commission does not have specific statutory authority with respect to

MidAmerican's relationship with its affiliates, the Commission clearly has the authority to disallow in the ratemaking process those expenses incurred with affiliates, as well as with others, that it finds to be unreasonable. In addition, because the Commission does not have the statutory authority to access the books and records of CEC, I am sponsoring an affidavit of James Albert Flores, Vice President, Project Finance, of CEC. The affidavit has been marked as MidAmerican Exhibit 1.3. The affidavit states that CEC will provide the Commission with access to the books and records of CEC to the full extent necessary to enable the Commission to exercise its duties under PUHCA Section 32(k)(2)(A). Consequently, to the extent that MidAmerican and CEC enter into the PPA, their contractual relationship will be subject to these aspects of the Commission's ratemaking authority and access to CEC's books and records.

Q. In your opinion, does the Commission have sufficient regulatory authority, resources and access to the books and records of MidAmerican and CEC to determine that the PPA (i) will benefit MidAmerican's customers, (ii) does not violate any South Dakota law (including least cost planning, if applicable), (iii) will not provide CEC with any unfair competitive advantage by virtue of its affiliation with MidAmerican, and (iv) is in the public interest?

A. Yes. In my opinion, the Commission's ratemaking authority combined with its ability to access the books and records of CEC, as previously described, demonstrates the Commission's authority to make the required determinations.

Accounting treatment

Q. Will there be any common costs resulting from the PPA between MidAmerican and CEC?

A. No. The PPA is strictly for the purchase of capacity and energy by MidAmerican from CEC's plant. The Commission's ratemaking oversight will avoid cross-subsidies between MidAmerican and CEC. As related to the PPA, the transaction is at market prices and through a competitive bidding process. As such, there is no cross-subsidization.

Q. What accounts will MidAmerican use to record its payments to CEC under the PPA?

A. In compliance with the FERC Uniform System of Accounts, MidAmerican will record the purchase within account 555 as a cost of purchased power and will record the payable in a unique activity within account 234 for intercompany accounts payable to CEC. MidAmerican will be purchasing the natural gas fuel for the CEC Plant for its share of the Plant's output; therefore, those transactions and expenses will not involve CEC.

South Dakota regulatory requirements

Q. Is MidAmerican subject to any least-cost planning requirements in South Dakota?

A. MidAmerican has a statutory obligation in South Dakota to provide rate-regulated services that are just, reasonable, non-discriminatory and consistent with the law. However, there are no requirements that MidAmerican submit a least-cost plan to the Commission.

Q. Realizing you are not an attorney and assuming that MidAmerican is authorized by the Commission to enter into the PPA, do you believe that the PPA once entered into by MidAmerican and CEC will violate any South Dakota law, including rules and orders of this Commission?

A. Not to my knowledge. MidAmerican has a very legitimate business need for the capacity and energy that will be provided by the PPA and it is a common practice for

electric utilities to acquire capacity and energy by contract rather than constructing generation facilities.

The public interest

Q. In your opinion, is the execution of the PPA by MidAmerican and CEC in the public interest?

A. Yes. MidAmerican has a need to add capacity to its portfolio. To meet this need, MidAmerican carefully considered its options through the RFP process. Given the lead time for building capacity and the nature of the bids received, MidAmerican was able to select two bidders after robust bidding and a rigorous evaluation process: CEC and Bidder A. The contract negotiated with CEC represents the best transaction available for combined-cycle capacity in this time frame.

The PPA is MidAmerican's best option to add capacity that is associated with reasonably priced energy. Furthermore, MidAmerican needs to add to its capability to meet its capacity and energy commitments for summer peak loads in order to mitigate the risks related to its obligation to supply customers. Finally, given the short time before the capacity and energy is needed in June 2001, the PPA is the best alternatives.

Q. Does this conclude your direct testimony at this time?

A. Yes.

STATE OF SOUTH DAKOTA

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AFFIDAVIT OF
MARK W. ROBERTS

STATE OF IOWA)
) ss.
COUNTY OF POLK)

I, Mark W. Roberts, being first duly sworn on oath, depose and state that I am the same Mark W. Roberts identified in the following Direct Testimony; that I have caused the following Direct Testimony, including any Exhibits, to be prepared and am familiar with the contents thereof; and that the following Direct Testimony, including any Exhibits, are true and correct to the best of my knowledge and belief as of the date of this Affidavit.

Mark W. Roberts

Subscribed and sworn to before me,
a Notary Public in and for said County
and State, this 1st day of March, 2000.

Notary Public

TRUDI L. HYTONE
MY COMMISSION EXPIRES
12-15-00

STATE OF SOUTH DAKOTA

BEFORE THE PUBLIC UTILITIES COMMISSION

MidAmerican Energy Company	:	
	:	DOCKET NO. _____
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to Section 32(k)(2)(A) of the Public Utility	:	APPLICATION FOR
Holding Company Act	:	DETERMINATIONS

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Mark W. Roberts

Subscribed and sworn to before me,
a Notary Public in and for said County
and State, this 31st day of January, 2000.

Notary Public

CHERYL A. PATTON
My Commission Expires
May 11, 2002

STATE OF SOUTH DAKOTA

BEFORE THE PUBLIC UTILITIES COMMISSION

MidAmerican Energy Company	:	
	:	**DOCKET NO. _____**
Application for Determinations Pursuant	:	
to Section 32(k)(2)(A) of the Public Utility	:	**APPLICATION FOR**
Holding Company Act	:	**DETERMINATIONS**

DIRECT TESTIMONY
OF
MARK W. ROBERTS

Q. Please state your name and business address.

A. Mark W. Roberts. My business address is 4299 Northwest Urbandale Drive, Urbandale, Iowa 50322-7298.

Q. By whom are you employed and in what capacity.

A. I am employed by MidAmerican Energy Company (MidAmerican) as Electric Trading and Planning Vice President.

Q. What is your educational and employment experience?

A. I graduated from Iowa State University with a B. S. degree in Industrial Administration (accounting option) in 1978 and received an MBA from Drake University in 1986. I have been employed by MidAmerican or its predecessors since 1978 in a variety of capacities, including internal auditing, budgeting, special projects, accounting and administrative services, and energy trading and planning. My current responsibilities include electric trading, gas supply and trading, fuel trading and transportation, market assessment and generation business development.

Purpose of Direct Testimony

Q. What is the purpose of your direct testimony in this proceeding?

A. I will discuss (i) how MidAmerican arrived at the decision to enter into the Purchase Power Agreement (PPA) with Cordova Energy Company LLC (CEC), (ii) why the PPA will be beneficial to consumers, (iii) the Commission's regulatory authority with regard to MidAmerican and its affiliates, (iv) the accounting treatment for this affiliate transaction, (v) the application of South Dakota regulatory requirements, including any least cost planning regulations, to MidAmerican's decision to enter into the PPA, and (vi) why the PPA is in the public interest.

Q. Will others be providing direct testimony on behalf of MidAmerican in this proceeding?

A. Yes. William E. Turnbull, a Long Term Trader in MidAmerican's Electric Trading group, will describe the request for proposal (RFP) process that led up to MidAmerican's decision to enter into the PPA and the prices, terms and conditions of the PPA and Alan S. Taylor, a vice president in the Economics and Analytics practice group of PHB Hagler Bailly, Inc., will explain why the PPA (i) will be beneficial to consumers, (ii) will not provide CEC with an unfair competitive advantage by virtue of its affiliation with MidAmerican, and (iii) is in the public interest.

MidAmerican's decision to enter into the PPA

Q. Is CEC an affiliate of MidAmerican?

A. Yes. The affiliation of MidAmerican and CEC is described in the Petition.

Q. Are you sponsoring the PPA?

A. Yes. It is provided with this testimony as a part of MidAmerican Exhibit 1.1.

Q. Is there a reason that the PPA has not been signed by MidAmerican and CEC at this time?

A. Yes. Section 32(k)(2) of the Public Utility Holding Company Act (PUHCA) requires that MidAmerican seek the Commission's determinations under that section of PUHCA *in advance* of entering into the PPA. However, MidAmerican and CEC have signed a Letter of Intent to enter into the PPA subject to receiving all regulatory approvals. A copy of the Letter of Intent is provided as a part of MidAmerican Exhibit 1.1.

Q. Why has MidAmerican decided to enter into the PPA with CEC?

A. In July 1999, MidAmerican came within about 1 percent of exceeding the maximum capacity level it could handle without falling deficit of the Mid-Continent Area Power Pool's (MAPP) 15 percent reserve requirement. This margin would have been even tighter if MidAmerican had not purchased additional capacity for the 1999 summer season. As MidAmerican works on its forecast to project loads and capabilities for the near future, many variables affect the need for additional capacity. These variables include weather, load change due to open access, availability of contracted capacity and retail growth in Illinois. However, as outlined in the draft MidAmerican Energy Company 2000-2005 Generation Capacity Plan, MidAmerican's medium-term need is to add new capacity to its generation portfolio. In an effort to determine the least cost supply option, MidAmerican initiated the RFP in the Spring of 1999 as discussed in greater detail in Mr. Turnbull's testimony.

Q. Is a copy of the draft MidAmerican Energy Company 2000-2005 Generation Capacity Plan available?

A. Yes. I am providing a copy as MidAmerican Exhibit 1.2.

Q. This is a draft document. Has MidAmerican finalized its 2000-2005 Generation Capacity Plan?

A. No. The Plan has not been finalized, but the information in draft reflects the best information available to us at the time of our decision to proceed with negotiating the PPA with CEC and was relied upon for the purpose of making that decision. We are in the process of finalizing the Plan by revising the load and capability forecast and the peak load forecast.

Q. Based upon the revisions MidAmerican will be making to the 2000-2005 Generation Capacity Plan for the purposes of finalizing the document, is MidAmerican's need for capacity the same as it reflected in the draft document, which is MidAmerican Exhibit 1.2?

A. No. The preliminary indications from these revisions indicate that MidAmerican has greater need for capacity than reflected by the draft.

Q. When do you anticipate that the final 2000-2005 Generation Capacity Plan will be completed?

A. The updated plan should be available by the end of February. It will be provided to the Commission as an exhibit.

Q. Why did MidAmerican select 250 MW of combined cycle capacity as opposed to other options?

A. Electric markets in 1998 and 1999 were extremely volatile. There is significant chance this volatility will continue until more regional generation capacity is constructed and certain transmission constraints are relieved. It will take a few years

for new generation capacity to be constructed. By purchasing this level of capacity, and having it tied to a fuel-cost-limited energy cost, MidAmerican will have better options for protecting its native load customers from the risk of purchasing high cost energy, it will have opportunities to sell the capacity in different forms in the wholesale market (e.g., capacity tied to market-priced energy, with MidAmerican keeping control of its portion of the CEC Plant energy output), and it will have opportunities to sell energy and capacity to wholesale and competitive retail markets at prices that will benefit native load customers.

Q. In the RFP that MidAmerican sent out April 30 and May 1, 1999,[1] why is it indicated that MidAmerican did not plan to buy capacity and energy from CEC during the initial years of the project's life?

A. At the time the RFP was sent out, MidAmerican employees were under the impression the output of the CEC Plant had been or would be sold to a third party and would not be available for direct sale to MidAmerican. CEC later bid on the MidAmerican RFP, which was unanticipated by MidAmerican.

Q. Will the PPA be entered into by MidAmerican in the ordinary course of business for the purchase of services, supplies or other personal property?

A. Yes. The PPA will be entered into by MidAmerican for capacity and energy needed to first serve traditional, bundled native load customers and a limited number of "requirements" wholesale customers. Some portion of the capacity and energy would then also be available to serve competitive wholesale and retail markets. To serve all of its customers, MidAmerican relies on a combination of generation it owns and

[1] The RFP is MidAmerican Exhibit 2.1.

power it purchases. MidAmerican also strikes an effective balance between sales to competitive markets and the needs of its native load customers. As I discussed above, the PPA will be entered into for the purpose of providing MidAmerican with the capacity and energy it needs to serve its customers.

Q. What other power purchase contracts in excess of one year in term does MidAmerican have?

A. After the year 2000, the remaining long-term power purchase agreements with MidAmerican include the following:

Seller	Capacity	Type	Term
AGP	2 MW	AEP	3/92 thru 3/02
BFI Gas Services	4 MW	QSE	7/98 thru 7/08
City of Davenport	1 MW	AEP	1/95 thru 1/28
Montezuma	2 MW	Peaking	6/99 thru 4/04
Upper Rock Energy	6 MW	QSE	7/01 thru 7/21
Waste Management of Iowa	6 MW	AEP	11/93 thru 11/26
Waverly, Iowa	2 MW	Peaking	7/99 thru 10/01
Enron Wind	112.5 MW nameplate ~17 MW accredited	AEP	11/99 thru 11/19

Because of the long-term nature of the contract with the Nebraska Public Power District for one-half the output from Cooper Nuclear Station, this power purchase agreement was not included in the above table.

Q. If the PPA is entered into, what percentage of MidAmerican's total capacity needs will be met by the PPA?

A. Assuming a normal weather forecast and the effects of MidAmerican's energy efficiency and load curtailment programs, this PPA represents approximately 6 percent of MidAmerican's total capacity needs (250 MW for CEC ÷ 4,183 MW, which is the old forecast for 2001 normal peak load adjusted for reserves).

Q. Assuming the PPA is signed, what percentage of MidAmerican's total capacity needs will be met through long-term power purchase contracts?

A. Assuming the Enron Wind Farm provides approximately 17 MW of accredited capacity during the summer peak, MidAmerican's purchases represent approximately 7 percent of the required capacity needs for normal weather conditions ((250 MW for CEC + 40 MW from earlier table) ÷ 4,183 MW, which is old forecast for 2001 normal peak load adjusted for reserves).

Q. Why did MidAmerican decide to contract for the capacity it needs rather than build new generating capacity?

A. With electric restructuring legislation already passed in Illinois and being considered in Iowa, MidAmerican faces an uncertain long-term environment for retail service within its existing service territories. This uncertainty relates to the duration and nature of the obligation to supply. However, the uncertainty will be lessened in the future; therefore, contracting for capacity is a good answer at this time. In addition, the term of the contract ties with MidAmerican's obligation to continue to provide bundled retail electric service in Illinois. Finally, the term of the contract is relatively short, providing a bridge to greater certainty about market conditions and giving MidAmerican time to build capacity or make other contract arrangements (including DSM), whichever option is most economic.

Q. Why does MidAmerican prefer to enter into this transaction with an affiliate as opposed to entering into a transaction with a third party?

A. Put simply, this transaction is MidAmerican's lowest cost option for this type of capacity. If MidAmerican must compete for customers – and it does now and will do

so to a greater extent in the future – then it must be a low-cost supplier. The only manner in which MidAmerican can be a low-cost supplier is to acquire low-cost resources. If, through its actions with its affiliates, MidAmerican distorted the solicitation so the cost of the selected resource was higher than it should have been, MidAmerican may lose customers who have the ability to relocate into other service territories, may lose customers who have the ability to self-generate or replace some electric consumption with an alternative fuel source, may not experience the economic development growth in its service territory to the same extent as would otherwise be the case, may lose customers and/or margin in the already competitive wholesale marketplace, and may lose customers in the emerging competitive retail marketplace. Moreover, MidAmerican recognizes and takes seriously its legal and regulatory obligations with respect to affiliate transactions that require certain conduct in potential transactions involving affiliates. Thus, it would be bad business from both regulatory and legal perspectives in several jurisdictions and from the potential customer losses noted above to incorrectly influence the outcome of the solicitation and the PPA.

Q. Are the prices to be paid by MidAmerican at or below prevailing market prices?

A. Yes. Mr. Turnbull will address market prices in his testimony.

Consumer benefits

Q. If entered into by MidAmerican and CEC, will the PPA be beneficial to MidAmerican's consumers?

A. Yes. As discussed in the testimony provided by Alan Taylor and William Turnbull, the purchase of power and energy from CEC is the better option as compared to

MidAmerican's forecast of future market prices. Moreover, the combined-cycle, gas-fired capacity is a good fit with MidAmerican's strong mix of baseload units.

Just as important as these two issues is the way this purchase fits with the risks MidAmerican faces. Those risks are in two primary categories: (i) capacity risk, and (ii) energy risk. Today, MidAmerican has an obligation to supply its native load customers who do not have the choice to seek competitive supply or do not make that choice. MidAmerican also has an obligation to meet its other firm commitments to supply power and energy. MidAmerican is seeing strong growth in its peak demand, as witnessed by all-time record peaks set in each of the last two years (3,643 MW in 1998 and 3,833 MW in 1999). This growth puts MidAmerican at risk of incurring a MAPP capacity charge of $92,040 per MW if it does not maintain a minimum capacity reserve of 15 percent. Another significant risk is that MidAmerican might not have adequate reasonably priced energy available at its system peak or when another of its units has a forced outage. The Midwest has seen extremely high prices in both 1998 and 1999. If one of MidAmerican's generating units is out of service during times of high prices, the company could be forced to buy at these high prices to meet its energy commitments.

Both this capacity risk and energy risk are mitigated by the MidAmerican purchase from CEC. This risk is mitigated with a three-year contract – the medium-term nature of which allows MidAmerican to better assess changes in market conditions and to take other options if it chooses.

At this point, just 16 months before the MidAmerican-CEC contract term begins, there are limited options for MidAmerican to add to its proven ability to

supply low-cost energy. The purchase from CEC is the lowest cost of the combined-cycle purchase options MidAmerican evaluated.

Q. Will the capacity that MidAmerican purchases from CEC under the PPA be accredited by MAPP?

A. Yes. We expect a preliminary indication of MAPP accreditation no later than July 20, 2000 and that the capacity would be accredited by MAPP in the second quarter of 2001.

Commission's regulatory authority

Q. One of the determinations that the Commission must make under Section 32(k)(2)(A) of PUHCA with regard to the PPA is that the Commission has sufficient regulatory authority, resources and access to books and records of MidAmerican and any relevant associate, affiliate or subsidiary company. Please describe the Commission's regulatory authority, resources and access to the books and records of MidAmerican and CEC to make the determinations required by PUHCA Section 32(k)(2)(A).

A. Although the Commission does not have specific statutory authority with respect to MidAmerican's relationship with its affiliates, the Commission clearly has the authority to disallow in the ratemaking process those expenses incurred with affiliates, as well as with others, that it finds to be unreasonable. In addition, because the Commission does not have the statutory authority to access the books and records of CEC, I am sponsoring an affidavit of James Albert Flores, Vice President, Project Finance, of CEC. The affidavit has been marked as MidAmerican Exhibit 1.3. The affidavit states that CEC will provide the Commission with access to the books and records of CEC to the full extent necessary to enable the Commission to exercise its

duties under PUHCA Section 32(k)(2)(A). Consequently, to the extent that MidAmerican and CEC enter into the PPA, their contractual relationship will be subject to these aspects of the Commission's ratemaking authority and access to CEC's books and records.

Q. In your opinion, does the Commission have sufficient regulatory authority, resources and access to the books and records of MidAmerican and CEC to determine that the PPA (i) will benefit MidAmerican's customers, (ii) does not violate any South Dakota law (including least cost planning, if applicable), (iii) will not provide CEC with any unfair competitive advantage by virtue of its affiliation with MidAmerican, and (iv) is in the public interest?

A. Yes. In my opinion, the Commission's ratemaking authority combined with its ability to access the books and records of CEC, as previously described, demonstrates the Commission's authority to make the required determinations.

Accounting treatment

Q. Will there be any common costs resulting from the PPA between MidAmerican and CEC?

A. No. The PPA is strictly for the purchase of capacity and energy by MidAmerican from CEC's plant. The Commission's ratemaking oversight will avoid cross-subsidies between MidAmerican and CEC. As related to the PPA, the transaction is at market prices and through a competitive bidding process. As such, there is no cross-subsidization.

Q. What accounts will MidAmerican use to record its payments to CEC under the PPA?

A. In compliance with the FERC Uniform System of Accounts, MidAmerican will

record the purchase within account 555 as a cost of purchased power and will record the payable in a unique activity within account 234 for intercompany accounts payable to CEC. MidAmerican will be purchasing the natural gas fuel for the CEC Plant for its share of the Plant's output (i.e., a "tolling" arrangement), therefore, those transactions and expenses will not involve CEC.

South Dakota regulatory requirements

Q. Is MidAmerican subject to any least cost planning requirements in South Dakota?

A. MidAmerican has a statutory obligation in South Dakota to provide rate-regulated services that are just, reasonable, non-discriminatory and consistent with the law. However, there are no requirements that MidAmerican submit a least-cost plan to the Commission.

Q. Realizing you are not an attorney and assuming that MidAmerican is authorized by the Commission to enter into the PPA, do you believe that the PPA once entered into by MidAmerican and CEC will violate any South Dakota law, including rules and orders of this Commission?

A. Not to my knowledge. MidAmerican has a very legitimate business need for the capacity and energy that will be provided by the PPA and it is a common practice for electric utilities to acquire capacity and energy by contract rather than constructing generation facilities.

The public interest

Q. In your opinion, is the execution of the PPA by MidAmerican and CEC in the public interest?

A. Yes. MidAmerican has a need to add capacity to its portfolio. To meet this need,

MidAmerican carefully considered its options for building or buying capacity. Given the lead time for building capacity and the nature of the bids received, MidAmerican was able to select two bidders after robust bidding and a rigorous evaluation process: CEC and Bidder A. The contract negotiated with CEC represents the best transaction available for combined-cycle capacity in this time frame.

The PPA is MidAmerican's best option to add capacity that is associated with reasonably priced energy. Furthermore, MidAmerican needs to add to its capability to meet its capacity and energy commitments in order to mitigate the risks related to not meeting those commitments. Finally, given the short time before the capacity and energy is needed in June 2001, there are few alternatives.

Q. Does this conclude your direct testimony at this time?

A. Yes.

MidAmerican
ENERGY
OBSESSIVELY, RELENTLESSLY AT YOUR SERVICE™

[redacted]

January 28, 2000

Mr. James A. Flores
Vice President
Cordova Energy Company LLC
302 South 36th Street
Suite 400
Omaha, NE 68131-3845

Re: Letter of Intent Regarding Power Sales Agreement

Dear Mr. Flores:

MidAmerican Energy Company ("MidAmerican"), an Iowa corporation, is a public utility providing electric service in the states of Iowa, Illinois and South Dakota. Cordova Energy Company LLC ("Cordova"), a Delaware limited liability company, is an exempt wholesale generator ("EWG") as that term is used in Section 32 of the Public Utility Holding Company Act of 1935 ("PUHCA"), 15 USC 79z-5a, and is also an affiliate of MidAmerican.

Pursuant to Section 32(k)(2) of PUHCA, 15 USC 79z-5a(k)(2), MidAmerican is not permitted to enter into a contract to purchase electric energy at wholesale from an EWG that is an affiliate unless every state commission that has jurisdiction over the retail rates of MidAmerican makes certain specific determinations in advance of MidAmerican entering such contract (the "PUHCA PUC Condition").

MidAmerican and Cordova have negotiated the terms and conditions of a certain power purchase agreement that is attached hereto (the "Power Purchase Agreement") and intend to enter into such Power Purchase Agreement in accordance with the terms of this letter.

MidAmerican and Cordova each hereby agree that they will execute the Power Purchase Agreement provided the conditions precedent described in Section 9 of Power Purchase Agreement (including, without limitation, the PUHCA PUC Condition) are satisfied on or prior to July 20, 2000, or unless the parties mutually agree in writing to terminate this letter of intent.

MidAmerican
ENERGY
OBSESSIVELY, RELENTLESSLY AT YOUR SERVICE™

If you are in agreement with the foregoing, please sign and return one copy of this letter to me, which thereupon will constitute our agreement with respect to its subject matter.

Sincerely,

MIDAMERICAN ENERGY COMPANY

By: Ronald W. Stephen
Name Typed: Ronald W. Stephen
Title: President

Agreed to and accepted this 28th day of January, 2000.

CORDOVA ENERGY COMPANY LLC

By: James A. Flores
Name Typed: James A. Flores
Title: Vice President

Attachment: Power Purchase Agreement

POWER PURCHASE AGREEMENT

Between

CORDOVA ENERGY COMPANY LLC
a Delaware limited liability company

and

MIDAMERICAN ENERGY COMPANY
An Iowa corporation

_____, 2000

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Exhibits

POWER PURCHASE AGREEMENT

THIS POWER PURCHASE AGREEMENT ("Agreement") is entered into as of _____ __, 2000 (the "Effective Date"), by and between **CORDOVA ENERGY COMPANY LLC**, a Delaware limited liability company ("Seller") and **MIDAMERICAN ENERGY COMPANY**, an Iowa corporation ("Buyer"). Buyer and Seller may be individually referred to herein as a "Party" and, collectively, as the "Parties".

WHEREAS, Seller has commenced construction of the Project (as defined below);

WHEREAS, Buyer desires to purchase from Seller, and Seller desires to sell and make available to Buyer, capacity and energy from the Project, subject to the terms, exceptions and conditions of this Agreement;

WHEREAS, the Parties desire to enter into this Agreement to set forth their respective rights and obligations in connection with the sale of capacity and energy from Seller to Buyer;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Certain Defined Terms.

In addition to terms defined in the recitals hereto, the following terms shall have the meanings set forth below.

"Actual Heat Rate" has the meaning set forth in Exhibit D.

"Additional Fuel Costs" has the meaning set forth in Exhibit D.

"Adjusted Buyer Startup Fuel Quantity" means, with respect to any Startup of a Unit, the sum of (i) the product of (A) the quantity of Fuel actually used for such Startup and (B) 25%, and (ii) the product of (A) the quantity of Fuel actually used for such Startup, (B) 50% and (C) a fraction, the numerator of which is the quantity of Energy scheduled by Buyer from the Project during the continuous period of operation of such Unit and the denominator of which is the total quantity of energy (including Scheduled Energy and Other Customers' Energy) scheduled for delivery from the Project during such continuous period of operation.

"Affiliate" means any Person that directly or indirectly Controls or is Controlled by or is under common Control with, the Person in question.

"Aggregate Energy" has the meaning set forth in Section 5.3(b).

"Aggregate Energy Demand" means, with respect to any period of time during the Delivery Term, the total quantity of energy (including Energy Scheduled by Buyer and Other Customers' Energy) scheduled for delivery from the Project during such period of time.

"Aggregate On Peak Energy" has the meaning set forth in Section 5.3(a).

"Alternative Delivery Point" has the meaning set forth in Section 4.3(c).

"Alternative Generation" means (i) any generation from any source other than the Project or (ii) generation from the Project delivered at an Alternative Delivery Point, in each case when the deliveries from the Project to the Delivery Point are interrupted or curtailed.

"Alternative Generation Fuel Quantity" means, with respect to any Day, a quantity of gas equal to the product of (i) the quantity of Energy delivered to Buyer from the Project hereunder pursuant to Section 4.3(c) on such Day and (ii) the Actual Heat Rate calculated in accordance with Exhibit D.

"Annual Availability Factor" has the meaning set forth in Section 5.3(b).

"Annual Escalation Factor" means, (i) for the first Contract Year, one (1), and (ii) for each Contract Year thereafter, the product of 1.025 and the Annual Escalation Factor for the immediately prior Contract Year.

"Applicable Capacity" has the meaning set forth in Section 5.3(a).

"Applicable Requirements" means any and all applicable laws, regulations, announcements, codes, directives, judgments, decrees, orders or interpretations of any court, arbitrator or governmental instrumentality and any valid waivers, exemptions, variances, permits, licenses, authorizations, orders, consents or conditions of or from, in any such case, any governmental instrumentality, court or other governmental entity having jurisdiction over the matter in question.

"Applicable Schedule" means, with respect to any time during the Delivery Term, the applicable quantities of Energy Scheduled in accordance with Section 4.2 for each hour of a scheduling period as in effect at such time.

"Business Day" means any Day other than a Day that is a Saturday, Sunday or legal holiday in the State of Illinois.

"Buyer" means MidAmerican Energy Company, an Iowa corporation.

"Buyer Auxiliary Boiler Fuel Quantity" means, with respect to any Day, the product of (i) the quantity of Fuel actually required for the operation of the Project's auxiliary boiler during such Day and (ii) fifty percent (50%).

"Buyer Fuel Supply Requirement" or "Buyer's Fuel Supply Requirement" means, for any Day, the sum, without duplication, of (i) the Buyer Startup Fuel Quantity for each Startup (or portion thereof) that occurs during such Day, (ii) each Buyer Operating Fuel Quantity for each hour of such Day, (iii) the Buyer Auxiliary Boiler Fuel Quantity for such Day and (iv) the Alternative Generation Fuel Quantity for such Day.

"Buyer Hourly VOM Charge" means, with respect to any hour: (i) if the Project does not operate or if Buyer does not schedule the delivery of any Energy during such hour, zero (0); and (ii) if Buyer schedules Energy and the Project operates during such hour, the product of (x) $533, if one Unit operates during such hour, or $1,066, if both Units operate during such hour, and (y) a fraction, the numerator of which is the quantity of Energy Scheduled on behalf of Buyer during such hour and the denominator of which is the total quantity of energy (including Energy Scheduled by Buyer and Other Customers' Energy) scheduled for delivery from the Project during such hour.

"Buyer Operating Fuel Quantity" means, with respect to any hour, the product of (i) the quantity of Fuel used for the operation of the Project (other than the Project auxiliary boiler) during such hour and (ii) a fraction, the numerator of which is the Energy scheduled by Buyer and the denominator of which is the total quantity of energy (including Energy scheduled by Buyer and Other Customers' Energy) scheduled for delivery from the Project during such hour.

"Buyer Startup Costs" means, with respect to any Startup of a Unit, (i) if, during the period of continuous operation of a Unit following the Start-Up of such Unit, Buyer does not Schedule the delivery of any Energy from the Project, zero; and (ii) if, during the period of continuous operation of a Unit following the Start-Up of such Unit, Buyer does Schedule any Energy from the Project, the sum of (x) the product of $2095 and fifty percent (50%) and (y) the product of $2095 and a fraction, the numerator of which is the quantity of Energy Scheduled by Buyer during such continuous period of operation of the Unit and the denominator of which is the total quantity of energy (including Energy Scheduled by Buyer and Other Customers' Energy) scheduled for delivery from the Project during such continuous period of operation; provided, however, notwithstanding clause (ii), if, with respect to any Startup, Buyer is the only customer of Seller to schedule energy from the Project during the continuous period of operation of the Project following such Startup, then the "Buyer Startup Costs" with respect to such Startup shall mean $4190.

"Buyer Startup Fuel Quantity" means, with respect to any Startup, the quantity of Fuel actually required by the Project for such Startup; provided, however, if, at the time of any Startup, any Other Customers' Energy is scheduled to be delivered from the Project during the period of time that the Project is scheduled to operate continuously following such Startup, (i) such quantity of Fuel shall be equal to the product of (A) the quantity of Fuel necessary for such Startup and (B) fifty percent (50%).

"Buyer Variable O&M Costs" means, with respect to any Month, the sum of the following:

(i) the product of $0.40/MWh times the Contract Quantity (in MWh) for such Month;

(ii) the sum of each Buyer Hourly VOM Charge for each hour of such Month; and

(iii) the sum of each Buyer Startup Costs for each Startup that commences during such Month;

provided, however, with respect to any Month during any Contract Year after the first Contract Year, "Buyer's Variable O&M Costs", shall be the product of the foregoing sum and the applicable Annual Escalation Factor.

"Buyer's Monthly Net Capability" means, with respect to any Month, 50% of the Monthly Net Capability for such Month.

"Buyer's Project Capacity" means, with respect to any time, 50% of the Project Capacity at such time.

"Calendar Year" means a calendar year.

"Capacity Test" means a test to determine the Monthly Net Capability of the Project as specified in Exhibit G.

"Claims" means all claims or actions filed by a person other than a Party, and whether groundless, false or fraudulent, that directly or indirectly relate to the subject matter of an indemnity, and the resulting losses, damages, expenses, attorney's fees and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are filed prior to or after the termination of this Agreement.

"ComEd Interconnection Agreement" means an agreement to be entered into between Seller and the Commonwealth Edison Company providing for the interconnection of the Project to the Commonwealth Edison Company system, as amended from time to time, and any replacement agreement.

"Commercial Operation Date" means the first calendar day after the latter of (i) the day on which the Project and its component parts have been accepted by Seller as having passed acceptance and performance testing for substantial completion pursuant to the EPC Contract, and (ii) the day on which the Project has completed a Uniform Rating of Generation Equipment test pursuant to the MAPP Guides, in each case as designated in a written notice by Seller to Buyer, and (iii) the date the electrical interconnection between the Project and the transmission system of Buyer has been constructed and placed into service; provided, however, the Commercial

Operation Date shall in no event be prior to June 1, 2001 unless Seller elects a date between May 1, 2001 and May 31, 2001 and agrees that the Guaranteed Payment for such period prior to June 1, 2001 shall be zero.

"Confidential Information" shall mean all written, recorded or oral information furnished to a Party ("Recipient") by the other Party or its Affiliates ("Disclosing Party"), in connection with the Project or this Agreement and designated by the Disclosing Party as confidential, together with all copies, reproductions, summaries, analyses or extracts thereof or based thereon in the possession of Recipient or in the possession of any of Recipient's Representatives. Confidential Information does not include, however, information which (a) is or becomes generally available to the public other than as a result of a disclosure by Recipient or Recipient's Representatives, (b) was available to Recipient in prior written documents on a non-confidential basis prior to its disclosure by the Disclosing Party or (c) becomes available to Recipient on a non-confidential basis from a Person other than the Disclosing Party or its Affiliates who is not otherwise bound by a confidentiality agreement with the Disclosing Party, or is not otherwise prohibited from transmitting the information to Recipient.

"Connecting Utility" means either or both, as the context so requires, of (i) Commonwealth Edison Company and its successors and (ii) MidAmerican Energy Company and its successors.

"Contract Capacity" means, for each Contract Year, the product of (i) the average of the Monthly Net Capability ratings for each Month of such Contract Year and (ii) fifty percent (50%).

"Contract Quantity" means, with respect to any Month, all of the Energy (in MWh), that Seller sells and delivers, or causes to be delivered, to Buyer pursuant to this Agreement during such Month.

"Contract Term" means the term of this Agreement beginning on the Effective Date of the Agreement and ending on the Termination Date.

"Contract Year" means a twelve-month period commencing on a May 15 after the Commercial Operation Date; provided, however, the first Contract Year shall be the period commencing on the Commercial Operation Date and ending at 2400 CPT on the following May 14 (which May 14 shall in no event be earlier than May 14, 2002).

"Control" means the possession, directly or indirectly, through one or more intermediaries, of either of the following: (a) (i) in the case of a corporation, 50% or more of the outstanding voting securities thereof; (ii) in the case of a limited liability company, partnership, limited partnership or venture, the right to 50% or more of the distributions therefrom (including liquidating distributions); (iii) in the case of a trust or estate, 50% or more of the beneficial interest therein; or (iv) in the case of any other entity, 50% or more of the economic or beneficial interest therein; or (b) in the case of any entity, the power or authority, through the ownership of voting securities, by contract or otherwise, to direct the management, activities or policies of the

entity.

"CPT" means the prevailing time on any given Day in Rock Island County, Illinois.

"Cumulative On Peak Undelivered Energy" has the meaning set forth in Section 5.3(a).

"Cumulative Undelivered Energy" has the meaning set forth in Section 5.3(b).

"Daily Fuel Costs" has the meaning set forth in Exhibit D.

"Day" means a calendar day.

"Delivery Point" means (i) the point of direct electrical interconnection of the Project with the high voltage transmission system of Buyer, and/or the point of direct electrical interconnection of the Project with the high voltage transmission system of Commonwealth Edison Company, as designated by Buyer from time to time, or (ii) any other point mutually agreed upon by Buyer and Seller in writing.

"Delivery Term" means the period commencing at the hour ending 0100 CPT on the Commercial Operation Date through and including the hour ending 2400 CPT on the Termination Date.

"Effective Date" has the meaning set forth in the introductory paragraph of this Agreement.

"Energy" means the electric energy to be delivered by Seller to Buyer pursuant to this Agreement.

"Energy Imbalance" has the meaning set forth in Section 4.4.

"Energy Imbalance Charges" means the charges assessed by the Connecting Utility or any successor transmission provider (including an RRO), as a result of deviations between energy scheduled and energy delivered or received or between energy delivered and energy received (however named, including, without limitation, "energy imbalances", "oversupply imbalances", or "undersupply imbalances").

"EPC Contract" means the contract(s) for the provision to Seller of services for the design, engineering, procurement and construction of the Project, and any replacement contract.

"EPC Contractor" means the firm or firms retained by Seller to provide services for the design, engineering, procurement and construction of the Project.

"Event of Default" has the meaning set forth in Section 11.1.

"Excess Energy" has the meaning set forth in Section 4.8.

"FERC" means the Federal Energy Regulatory Commission or any successor agency.

"Financing Parties" means the lenders providing construction or term financing or refinancing, as the case may be, with respect to the Project (including a leveraged lease), and any trustee or agent acting on their behalf.

"Fixed Capacity Rate" means (i) for each Month during the Delivery Term prior to May, 2002, the product of (A) the Monthly Percentage for such Month as set forth below, (B) $7.50 per kW/month; and (C) 12; (ii) for each Month during the Delivery Term after May, 2002, $7.50 per kW/month and (iii) for May 2002, the average of the rate for May determined by using clause (i) above and the rate determined for a month during the Contract Year commencing 2002 by using clause (ii) above.

Monthly Percentage:

Month	Percentage
January	3.53%
February	3.46%
March	1.67%
April	1.99%
May	7.85%
June	13.22%
July	28.90%
August	28.75%
September	4.73%
October	2.54%
November	1.72%
December	1.64%

"Force Majeure" means any cause beyond the reasonable control and without the fault or negligence of the Party relying on such cause to excuse its performance hereunder (such Party, the "Claiming Party"), whether of the kind enumerated below or otherwise, including without limitation the following: (i) any storm, flood, freeze, hurricane, windstorm, lightning, earthquake or other acts of God, fire, explosion, civil disturbance, strike, lockout, labor dispute, act of the public enemy, action of a court, regulatory or other governmental authority (as long as the Claiming Party has not sought, supported, applied for, or assisted in the application for, such regulatory or governmental action), failure to obtain or maintain a governmental permit, license or approval (as long as the applying person has used commercially reasonable efforts to apply for, obtain and maintain such permit, license or approval), the failure of transmission facilities or a constraint on the transmission system for either Connecting Utility that precludes transmission of the Energy to the Delivery Point or from the Delivery Point to the first available resale market or (ii) any unavailability or interruption in the supply of breakdown of pipelines, facilities and/or

equipment other than as a result of improper maintenance or the negligence of the Claiming Party; provided, however, that no obligation to make payments for energy delivered or other services rendered shall be excused by the occurrence of an event of Force Majeure; and provided, further, that the following acts, events or causes shall not constitute an event of Force Majeure: (a) the loss of Buyer's resale markets; (b) Buyer's inability economically to use or resell energy or capacity purchased hereunder; (c) any lack of profitability to Seller of the Project; and (d) the failure of or a constraint on transmission facilities except to the extent that the Claiming Party (x) owns and controls such facilities and the capacity thereon, (y) has contracted for firm transmission thereon or (z) would be similarly affected even if it had contracted for firm transmission thereon.

"Fuel" means the natural gas used in the operation of the Project.

"Fuel Delivery Point(s)" means the receipt points for transportation service under the Gas Distribution Agreement, which are the proposed point of interconnection between the LDC's Nitrin line and Northern Border Pipeline Company and the point of interconnection between such Nitrin line and Natural Gas Pipeline Company of America.

"Fuel Index" means, for any day, the Midpoint daily price index for deliveries on such day for the Chicago city gate, large end users, as published in FT Energy's *Gas Daily*. If the Fuel Index ceases to exist, becomes unavailable, is not published for a period of at least ten (10) days or is changed so that it is intended to measure something materially different from the average daily prices for gas delivered to large end users at or near the Fuel Delivery Point, the Parties shall negotiate in good faith to agree upon a new index that reasonably measures average daily prices for natural gas delivered to large end users at or near the Fuel Delivery Point. If the Parties do not agree that an alternate index is appropriate or are unable to agree upon an alternate index, within thirty (30) days after a written request by a Party therefor, then a Party may refer the matter to arbitration in accordance with Section 16.9. The arbitrator shall be required to select a replacement alternate index that most reasonably measures average daily prices for gas sold and delivered to large end users at or near the Chicago city gate.

"Fuel Transportation Charge" means, with respect to any Month, the sum of (i) $16,500 and (ii) the product of $.025/MMBtu and Buyer's Fuel Supply Requirement (in MMBtu) for such Month.

"Fuel Savings" has the meaning set forth on Exhibit D.

"Gas Distribution Agreement" means the Firm Natural Gas Distribution Agreement dated as of July 6, 1999, between Seller and MidAmerican Energy Company, an Iowa corporation, as amended and in effect from time to time.

"Guaranteed Heat Rate" has the meaning set forth in Exhibit D.

"Guaranteed Payment" means, for any Month, the product of the applicable Contract Capacity (expressed in kW) and the applicable Fixed Capacity Rate, as such amount may be

adjusted in accordance with Section 5.3; provided, however, if the Commercial Operation Date occurs on a Day other than the first Day of a Month, then the Guaranteed Payment for the Month in which the Commercial Operation Date occurs shall be the product of (i) the Guaranteed Payment calculated in the absence of this proviso and (ii) a fraction, the numerator of which is the number of Days in such Month after the Day prior to the Commercial Operation Date and the denominator of which is the number of Days in the Month.

"Hourly Energy" has the meaning set forth in Section 5.3(b).

"Hourly On Peak Energy" has the meaning set forth in Section 5.3(a).

"Hourly On Peak Undelivered Energy" has the meaning set forth in Section 5.3(a).

"Hourly Undelivered Energy" has the meaning set forth in Section 5.3(b).

"ISO" means any Person (other than the Connecting Utility) that becomes responsible as independent system operator for either or both of the transmission systems to which the Project is connected.

"kW" means kilowatt.

"kWh" means kilowatt-hour.

"Late Payment Rate" means a per annum rate of interest equal to the Prime Rate plus three percent (3%); *provided*, the Late Payment Rate shall never exceed the maximum lawful rate permitted by applicable law.

"LDC" means MidAmerican Energy Company, an Iowa corporation, and its successors.

"MAIN" means the MidAmerican Interconnected Network or its successors, including any ISO responsible for the MidAmerican Interconnected Network or its successors.

"MAPP" means the Mid-Continent Area Power Pool or its successors, including any ISO responsible for the Mid-Continent Area Power Pool or its successors.

"MAPP Guides" means the Regional Reliability Handbook adopted by MAPP and in effect from time to time, or any replacement document.

"MEC Interconnection Agreement" means the Interconnection Agreement dated as of April 2, 1999, between Seller and MidAmerican Energy Company, as amended from time to time, and any replacement agreement.

"Meter" means any or all, as the case may be, of the meters of the Project and the Connecting Utilities that measure the amount of energy transmitted from the Project to the transmission system of each Connecting Utility.

"Minimum Load Condition" has the meaning set forth in Section 4.7.

"Month" means a calendar month.

"Monthly Net Capability" has the meaning set forth in Exhibit G.

"MMBtu" means one million British thermal units.

"MNC" has the meaning set forth in Exhibit G.

"MW" means a megawatt. One MW is equal to 1,000 kW.

"MWh" means a megawatt-hour. One MWh is equal to 1,000 kWh.

"NERC" means the North American Electric Reliability Council or its successors.

"Non-Summer Period Guaranteed Payments" means, for any Contract Year, the aggregate Guaranteed Payments payable with respect to September, October, November, December, January, February, March, April and May of such Contract Year (it being understood that such Guaranteed Payments shall be adjusted in accordance with the proviso to the definition of Guaranteed Payments, if applicable).

"On Peak Availability Factor" has the meaning set forth in Section 5.3(a).

"On Peak Hours" means all hours ending 0700 through and including 2200 CPT for each weekday (i.e. Monday through Friday) during the Delivery Term (excluding NERC designated holidays).

"Other Customers' Energy" means energy scheduled by or delivered to, as the context may require, other customers of Seller from the Project.

"Party" means either Seller or Buyer and "Parties" means both of Seller and Buyer.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government authority or agency or political subdivision thereof.

"Pipeline Transportation Agreement" means the gas transportation agreement between Buyer and Northern Border Pipeline Company or any other upstream pipeline delivering Buyer's Fuel Supply Requirement at the Fuel Delivery Point(s).

"Planned Outage" means any outage of the Project due to inspection, testing, maintenance, repair or overhaul, as scheduled by Seller in accordance with the requirements of Exhibit H.

"Prime Rate" means the prime lending rate as may from time to time be published in the *Wall Street Journal* or any successor publication under "Money Rates" or a successor heading, provided that if more than one prime rate is published under such heading, the Prime Rate shall be the average of such rates so published. If the *Wall Street Journal* ceases to be published or if publication is suspended, the Parties shall agree on a successor or publication that reports comparable prime lending rates.

"Project" means the gas-fired combined cycle electrical generation facility proposed to be located in Rock Island County, Illinois, which is further described in Exhibit A.

"Project Capacity" means the capacity actually available from the Project to supply energy.

"Project Constraints" has the meaning set forth on Exhibit C.

"Prudent Industry Practice" means any of the practices, methods, techniques, standards and acts required or approved from time to time by a significant portion of the electric power industry in the geographic region covered by MAPP and MAIN, or any of the practices, methods, techniques, standards, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with the Applicable Requirements, good business practices, reliability, safety, environmental protection, and expedition. "Prudent Industry Practice" is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be practices, methods or acts generally accepted from time to time in the geographic region covered by MAPP and MAIN.

"Ratings Reaffirmation" means, with respect to a specified event, a confirmation from Moody's Investor's Service, Inc. and Standard and Poor's Group that a lowering of the then-current ratings of the Cordova Funding Series A Senior Secured Bonds will not result from such event.

"Replacement Cost" has the meaning set forth in Section 3.2.

"Representatives" of a Person shall mean any Affiliates of such Person and directors, officers, employees, agents or Controlling Persons of such Person or its Affiliates.

"RRO" or "Regional Reliability Organization" means MAIN, MAPP or any ISO responsible for MAIN or MAPP.

"Schedule" or "Scheduled" means the acts of Buyer and Seller pursuant to Section 4.2 setting forth a written schedule requesting and accepting the delivery of Energy by Seller to Buyer during the Delivery Term.

"Scheduled Energy" means the Energy requested by Buyer pursuant to Sections 4.2(b) or

4.2(e) and accepted by Seller pursuant to Sections 4.2(c) or 4.2(e), as may be altered in accordance with Sections 4.2(e) and (f).

"Scheduling Fees" means fees assessed by any Person to schedule the delivery of the Energy.

"Seller" means Cordova Energy Company LLC, a Delaware limited liability company.

"Startup" or "Start-Up" means, with respect to either Unit, a firing of the combustion turbine of such Unit. The period of a Startup of a Unit begins at the commencement of such firing and ends when the Unit's generators are synchronized with the Connecting Utility.

"Stranded Costs" means any charges or costs that are assessed or levied by any entity, including local, state or federal regulatory or taxing authorities or any transmission or distribution providers, in order to recoup the expenses and liabilities associated with stranded investments including without limitation any stranded costs assessed or levied pursuant to 18 C.F.R. §35.26.

"Summer Hours" means, for any Calendar Year, each of the hours between 0600 to 2200 CPT on each weekday (i.e. Monday through Friday) excluding NERC holidays, from June 1 through August 31 of such Calendar Year.

"Summer Period" means, for any Contract Year, the period commencing June 1 (or, in the case of the first Contract Year, the first Day of such first Contract Year if such first day occurs during the period after June 1 and before September 1) through August 31 of such Contract Year. If the first Day of the first Contract Year occurs after August 31, there shall be no Summer Period for such first Contract Year.

"Summer Period Guaranteed Payments" means, for any Contract Year, the aggregate Guaranteed Payments payable with respect to June, July and August of such Contract Year (it being understood that such Guaranteed Payments shall be adjusted in accordance with the proviso to the definition of Guaranteed Payments, if applicable).

"Surcharge Rate" means $0.30 per MWh.

"Termination Date" means May 14, 2004 or such earlier date as this Agreement may be terminated as provided for in this Agreement.

"Total Transmission Services" means all transmission services, ancillary services, control area services and such other services associated with the transmission of electric energy from one location to another.

"Transmission Costs" means all costs associated with line losses, congestion charges, inadvertent energy flows, MAPP and MAIN charges, charges assessed by the applicable Connecting Utility and other applicable system costs or charges associated with the transmission

of electric energy from one location to another.

"Unit" means, with respect to the Project, (i) either one of the combustion turbine/generator trains and (ii) to the extent utilized in connection with such combustion turbine/generator train, the steam turbine/generator.

"Unplanned Outage" means (i) an unplanned component failure or other condition that requires the Project, or part thereof, to be removed from service immediately or that can be deferred but requires the Project, or part thereof, to be removed from service before the next Planned Outage (or that prevents a Start-Up), (ii) an unplanned deration of the Project that requires an immediate reduction of capacity or that can be deferred but requires a reduction of capacity prior to the next Planned Outage, or (iii) any other unplanned interruption or reduction in generation from the Project for any reason.

"Variable Energy Payment" means a monthly charge equal to the sum of (i) the Fuel Transportation Charge for such Month and (ii) the Buyer Variable O&M Costs for such Month.

1.2 **Interpretation.** In this Agreement:

(a) the table of contents, headings, and Article and Section numbering are for convenience only and shall be ignored in construing this Agreement;

(b) the singular includes the plural and vice versa;

(c) references to Articles, Sections, Recitals, and Exhibits are, unless the context otherwise requires, references to Articles and Sections of, and Recitals and Exhibits to, this Agreement;

(d) the Exhibits to this Agreement form a part of this Agreement;

(e) the words "hereof", "herein", "hereinafter", "hereunder", "hereby", "hereto", and similar words refer to this entire Agreement and not to any particular Article, Section, Recital, or Exhibit;

(f) if any payment hereunder is required to be made on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day, *provided* that if such next succeeding Business Day is not in the same Month as the date required for payment, such payment shall be made on the immediately preceding Business Day; and

(g) any reference to a time shall be a reference to CPT unless otherwise specified.

1.3 **Rules of Conduct**. In this Agreement:

(a) unless otherwise provided herein, whenever a consent or approval is required by one Party from the other Party, such consent or approval shall not be unreasonably withheld or delayed; and

(b) in carrying out their obligations and duties under this Agreement, each Party shall have an implied obligation of good faith.

2. TERM

2.1 Term.

(a) Subject to Article 9 hereof, this Agreement is effective from the Effective Date through the Termination Date.

(b) On the Termination Date, the Parties will no longer be bound by this Agreement, except (i) to the extent necessary to enforce any rights or obligations of the Parties arising under this Agreement before the Termination Date, (ii) obligations arising under Section 16.1 and indemnification obligations, which will survive the termination of this Agreement and will continue for two (2) years following the Termination Date, and (iii) rights and obligations arising under Section 12.2, which will survive the termination of this Agreement for a period of one (1) year for the purpose of statements and payment objections.

3. PROJECT CONSTRUCTION

3.1 Project Design. Except with the prior consent of Buyer which shall not be unreasonably withheld or delayed, Seller (i) shall cause any design for the Project to conform with Exhibit A hereto and with Prudent Industry Practice and (ii) shall not change the number or design capacity of the Units that comprise the Project as set forth in Exhibit A. For the avoidance of doubt, Buyer shall not withhold such consent to the extent such changes proposed by Seller would not reasonably be expected to have an adverse effect on Buyer.

3.2 Project Delay.

(a) Seller (i) shall use all commercially reasonable efforts to cause the Project (a) to be constructed, (b) to be interconnected to Buyer's transmission system at the Delivery Point and (c) to achieve the Commercial Operation Date, in each case, by June 1, 2001 and (ii) in any event, shall cause the Project (A) to be constructed, (B) to be interconnected to Buyer's transmission system, and (C) to achieve the Commercial Operation Date, in each case, by May 15, 2002 (which dates, for the avoidance of doubt, shall not be extended due to events of Force Majeure); provided, however, the sole and exclusive remedies for any failure of Seller to comply with clause (i) of this sentence shall be that, as provided in Article 5, Buyer's obligations to make the payments contemplated by Article 5 do not commence until commencement of the Delivery Term and the sole and exclusive remedies for failure to comply with clause (ii) of this sentence (subject to Section 3.2(b)) shall be that, as provided in Article 5, Buyer's obligations to make the payments contemplated by Article 5 shall not commence until commencement of the

Delivery Term and that Seller shall pay to Buyer the Replacement Cost (as defined below). For purposes of this Section, "Replacement Cost" shall mean an amount equal to the positive difference, if any, obtained by subtracting (i) the sum of the Guaranteed Payments and the Variable Energy Payments that would have been payable to Seller hereunder for the period from May 15, 2002 until the date the Commercial Operation Date occurs had the Project been available and provided capacity and Energy to Buyer in the quantities and at the times at which Buyer purchases substitute capacity and energy in accordance with this Section 3.2 from (ii) the amount at which Buyer, acting in a commercially reasonable manner, pays to purchase capacity and energy to substitute for the capacity and energy that would have been purchased during such time period by Buyer from the Project had the Commercial Operation Date occurred on May 15, 2002 and are not supplied from the Project; provided, however, the total Replacement Cost payable by Seller shall in no event exceed 60% of the Guaranteed Payments that would have been payable during the second Contract Year had the Commercial Operation Date occurred on May 15, 2002. For purposes of determining clause (i) above and the proviso above, the Project Capacity and the Monthly Net Capability for each Month shall be assumed to be equal to the MNC for such Month as set forth on Table G-1 in Exhibit G; and the Project shall be assumed to be available each and every On-Peak Hour during the Summer Period, at a level equal to 96.5% of such MNC level, and each and every other hour at a level equal to 91% of such MNC level. For purposes of determining clause (ii) above, the substitute capacity and energy obtained by Buyer shall be deemed not to exceed at any time those levels that could have been produced by the Project consistent with clauses (i) and (ii) above.

(b) If one of the milestones set forth below does not occur by the date set forth opposite such milestone below (which dates shall not be extended due to delays in achievement of such milestones due to events of Force Majeure), Buyer shall, during the 30-day period following the date opposite such milestone, have the option to terminate this Agreement by providing ninety (90) Days' prior written notice to Seller, which termination shall not be effective if the applicable milestone is achieved by the end of such ninety (90) Day period.

Milestone	Date
Delivery of gas turbines, steam turbine and heat recovery steam generators to site	July 31, 2002
First fire of combustion turbines	October 1, 2002
Commercial Operation Date	March 1, 2003

Additionally, (i) if the Commercial Operation Date has not occurred by October 31, 2001, Buyer may by written notice delivered to Seller no later than November 5, 2001, terminate this Agreement effective as of the end of May 14, 2002, or (ii) if the Commercial Operation Date has not occurred by October 31, 2002, Buyer may by written notice delivered to Seller no later than November 5, 2002, terminate this Agreement effective as of the end of May 14, 2003. Buyer's rights to terminate this Agreement under this Section 3.2(b) shall be, except as expressly

provided in Section 3.2(a), Buyer's sole and exclusive remedy for Seller's failure to timely achieve any of the milestones set forth in this Section 3.2(b).

(c) Seller shall provide Buyer with monthly reports regarding the then current status of progress of the construction, commissioning and testing of the Project, the then estimated current Project schedule for achieving the Commercial Operation Date (it being understood that any such estimates made in good faith are not guaranteed by Seller and Seller shall not be liable for any failure of such estimates to prove to be correct), any events or circumstances that have caused such schedule to be changed from prior reports, and other information related to the status of the construction of the Project as Buyer may reasonably request.

3.3 Intentionally Omitted.

3.4 Fuel Supply.

(a) Throughout the Delivery Term, Buyer shall, at all times and at no cost to Seller, deliver and make available, or cause to be delivered and made available to Seller, each Day, the Buyer Fuel Supply Requirement in accordance with the following terms:

(i) Buyer shall provide Fuel that meets the quality specifications as set forth on Exhibit B.

(ii) Buyer shall deliver the Fuel to Seller at the Fuel Delivery Point(s); provided, however, Buyer shall not at any time deliver more Fuel at the Natural Gas Pipeline Company Fuel Delivery Point than fifty percent (50%) of the quantity of Fuel Seller is then entitled to receive at the Natural Gas Pipeline Company Fuel Delivery Point under the Gas Distribution Agreement, unless Seller otherwise agrees. Buyer shall deliver any portion of the Buyer's Fuel Supply Requirement not so delivered at the Natural Gas Pipeline Company Fuel Delivery Point at the Northern Border Pipeline Company Fuel Delivery Point.

(iii) Buyer shall deliver the Fuel at the Fuel Delivery Point(s) at times and at rates of flow that conform to those necessary to permit the LDC under the Gas Distribution Agreement to re-deliver such Fuel to the Project at a rate of flow that matches the Fuel consumption requirements of the Project to provide Scheduled Energy to Buyer hereunder while permitting Seller to comply with the scheduling and balancing requirements applicable to Seller, and while Buyer is permitted to take advantage of "Buyer's share" of the scheduling and balancing flexibility available, under the Gas Distribution Agreement. As used above, "Buyer's share" of scheduling and balancing flexibility means the scheduling and balancing provisions, and the flexibility provided thereunder, of the Gas Distribution Agreement, applied as if the Fuel provided by Buyer hereunder were the only Fuel provided at the Fuel Delivery Point(s) and delivered under the Gas Distribution Agreement, it being the intent of the Parties that Buyer will not be required to assist with respect to balancing for Fuel provided for the Project by other Persons or that other Persons providing Fuel for the Project will be required to assist with

respect to balancing for Fuel provided for the Project by Buyer.

(iv) For the avoidance of doubt, Buyer's Fuel Supply Requirement includes the Fuel required for associated Project parasitic loads and Fuel retention under the Gas Distribution Agreement that is associated with the Fuel supplied and delivered by Buyer hereunder.

(b) Title to the Fuel made available to Seller by Buyer hereunder and the risk of loss of such Fuel shall remain with Buyer but Seller shall be entitled to use such Fuel at the Project or for Fuel retention under the Gas Distribution Agreement.

(c) Buyer shall be responsible for arranging for, and paying the cost of, any necessary transportation to the Fuel Delivery Point(s) of Buyer's Fuel Supply Requirement. Seller shall be responsible for arranging for, and paying the cost of, the transportation of such Fuel from the Fuel Delivery Point(s) to the Project.

(d) Each Party shall cooperate reasonably with the other Party to coordinate the supply and transportation of Fuel for the Project with the operation of the Project (i) by providing the other Party such information as the first Party shall reasonably request relating to the supply and transportation of the Fuel to the Project and the consumption of Fuel by the Project (in each case, on both an historical and estimated future basis) and (ii) by maintaining personnel available at all times to address scheduling of Fuel supply and transportation and to timely provide the information contemplated by clause (i). By 5:00 a.m. of each Business Day, Buyer shall submit an expected schedule of Fuel to be delivered at each Fuel Delivery Point during the 30-hour period commencing at 6:00 a.m. on the same Day (and, if the next Day is not a Business Day, during each Day through the next Business Day), to the extent a similar obligation is required of Seller required by the Gas Distribution Agreement, and shall provide such other Fuel scheduling information on a timely basis as is reasonably required for Seller to comply with its scheduling obligations under the Gas Distribution Agreement. Seller shall promptly communicate proposed Fuel scheduling changes from Buyer to the LDC for the purpose of reconciling the scheduling of such transportation under the Gas Distribution Agreement with Buyer's proposed Fuel scheduling changes. As soon as practicable after an event occurs that may necessitate the need for a change to the scheduling of Fuel to be delivered by Buyer hereunder or the transportation of such Fuel under the Gas Distribution Agreement, the knowledgeable Party shall notify the other, via telephone, of such event and any changes or potential changes that such Party may require to such schedule(s) as a result. Buyer shall submit all necessary changes to the schedule(s) for delivery of Fuel by Buyer in accordance with the requirements of the suppliers and transporters (other than under the Gas Distribution Agreement), as applicable, within the hour in which Buyer receives notice of or actual or deemed knowledge of an event that requires a change to the schedule for any reason, including to avoid incurring imbalance penalties or charges. For purposes of this Section, Buyer shall be deemed to have immediate knowledge of any interruption in the generation of the Project if Buyer installs communication equipment pursuant to Section 4.5(d).

(e) Intentionally Omitted.

(f) Buyer and Seller shall cooperate to maintain and resolve imbalances within the permissible tolerances under the Gas Distribution Agreement, and to manage any cash-outs by the LDC for monthly imbalances associated with Buyer's Fuel Supply Requirement and the provision by Buyer thereof. Buyer shall reimburse Seller, within twenty (20) Days of receipt of a written invoice therefor, for all scheduling or balancing fees or penalties imposed on Seller pursuant to the Gas Distribution Agreement (other than monthly cash-outs under the Gas Distribution Agreement, which shall be covered by Section 3.4(g)) to the extent that such fees or penalties are caused by (i) the failure of Buyer to deliver Fuel in accordance with the schedules provided by Buyer to Seller in accordance with this Section 3.4, (ii) the failure of Buyer to comply with the requirements of this Section 3.4 or (iii) the failure of Buyer to Schedule or take Energy hereunder in accordance with the requirements of this Agreement. Seller shall bear any other scheduling or balancing fees or charges incurred on the LDC under the Gas Distribution Agreement (other than monthly cash-outs under the Gas Distribution Agreement, which shall be covered by Section 3.4(g)). Without duplication of amounts payable by Seller to the LDC under the Gas Distribution Agreement, Seller shall reimburse Buyer, within twenty (20) Days of receipt of a written invoice therefor, for all scheduling and balancing fees or penalties imposed on Buyer pursuant to the Pipeline Transportation Agreement or by any pipelines upstream of the LDC utilized to deliver Buyer's Fuel Supply Requirement to the extent that such fees or penalties are caused by (i) the failure of Seller to operate the Project in accordance with Energy properly scheduled by Buyer pursuant to Section 4.2 or (ii) the failure of Seller to nominate Buyer's Fuel Supply Requirements to the LDC in accordance with this Agreement. Buyer shall bear any other scheduling or balancing fees or penalties incurred under the Pipeline Transportation Agreement or on any pipelines upstream of the LDC utilized to deliver Buyer's Fuel Supply Requirement.

(g) At the end of each Month during the Delivery Term, Seller shall calculate the cumulative monthly imbalance on the LDC with respect to Fuel provided by Buyer hereunder, utilizing the methodology applicable for calculating monthly imbalances under the provisions of the Gas Distribution Agreement (including the applicable provisions of the LDC's natural gas tariff on file with the Illinois Commerce Commission incorporated into the Gas Distribution Agreement), but calculated in a manner as if the Fuel provided by Buyer were the only Fuel delivered under the Gas Distribution Agreement or in such other manner no less favorable to Buyer as the Parties may mutually agree. Seller shall make a payment to Buyer, if such imbalance is positive, and, Buyer shall make a payment to Seller, if such imbalance is negative, in each case valued at the applicable cash-out price for positive or negative (as applicable) monthly imbalances under the Gas Distribution Agreement (including the applicable provisions of the LDC's natural gas tariff on file with the Illinois Commerce Commission incorporated into the Gas Distribution Agreement). For purposes of determining Buyer's obligation to provide Buyer's Fuel Supply Requirement, positive imbalances that are so cashed out for a Month shall be deemed not delivered so that Buyer shall not be entitled to rely on the provision of such imbalances to cover any portion of its obligation to provide Buyer's Fuel Supply Requirement in a subsequent Month.

(h) To the extent that Buyer fails to provide Buyer's Fuel Supply Requirement with

respect to any Energy Scheduled by Buyer hereunder in accordance with this Agreement, in addition to any other remedies Seller may have, (i) Seller may (but shall not be obligated to) obtain the necessary Fuel and charge Buyer the cost of obtaining such Fuel and transporting it to the Fuel Delivery Point(s) or (ii) if Seller does not so obtain the necessary Fuel, Seller shall be excused from delivering such Energy to Buyer and, solely for purposes of Section 5.3, Energy not delivered for which Seller is so excused shall be deemed to have been delivered to Buyer.

(i) At the end of each Month during the Delivery Term, Seller shall (i) recalculate Buyer Start-Up Fuel Quantity with respect to each Start-Up of a Unit during such Month by allocating to Buyer a portion of the Fuel requirements associated with such Start-Up in accordance with the methodology for allocating Start-Up costs set forth in the definition of Adjusted Buyer Start-Up Fuel Quantity; (ii) determine, for each Start-Up in such Month, the product of (A) such recalculated amount minus the amount of Buyer's Start-Up Fuel Quantity calculated in accordance with the definition thereof and (B) the sum of the Fuel Index per MMBtu for deliveries on the Day of such Start-Up plus $.015 per MMBtu; and (iii) determine the sum of the amounts in clause (ii) for all Start-Ups in such Month. If the sum in clause (iii) is a negative number, Seller shall credit Buyer's invoice for such Month by such amount and if the sum in clause (iii) is a positive number, Seller shall add such amount to Buyer's invoice for such Month and such amount shall be payable by Buyer to Seller.

4. DELIVERY OF ENERGY AND CAPACITY

4.1 Obligation to Sell and Purchase.

(a) Subject to the terms and conditions of this Agreement, during the Delivery Term, Seller shall sell and deliver, and Buyer shall purchase and receive, the Scheduled Energy.

(b) Subject to the terms and conditions of this Agreement, during the Delivery Term, Seller shall sell and make available, and Buyer shall purchase, Buyer's Project Capacity.

4.2 Scheduling.

(a) Seller shall, by 4:00 a.m. CPT each Day, inform Buyer of (i) the estimated availability of the Project to supply Energy to Buyer during each hour of the remaining portion of such Day commencing three (3) hours after such deadline and (ii) provisionally, for the Day immediately thereafter. Seller shall advise Buyer as soon as possible of any changes in the estimated availability of the Project for such Days. These estimates shall not be binding upon Seller and Seller may subsequently revise its estimates.

(b) No later than 10:00 a.m. CPT on each Business Day, Buyer shall deliver to Seller a written statement setting forth the quantity of Energy that Buyer requests Seller to deliver during each hour of the immediately following Day at each applicable Delivery Point. Buyer's written statement may request the delivery of Energy from the Project subject to the Project Constraints.

(c) Seller shall be obligated to accept a request for Energy that has been provided to Seller in accordance with the requirements of Section 4.2(b) except to the extent (i) such request does not comply with the Project Constraints or (ii) Seller declares that the Project is not available as a result of a Planned Outage, Unplanned Outage or event of Force Majeure. Notwithstanding the foregoing, Seller shall not be obligated to Startup the Project if doing so is not within the Project Constraints.

(d) Buyer shall submit all necessary schedules and changes to such schedules to the Connecting Utility and/or the RRO, as applicable, for the Scheduled Energy in accordance with the requirements of the Connecting Utility and/or the RRO, as applicable. Notwithstanding any other provision hereof, Seller shall not be obligated to schedule or deliver Energy to the extent restricted in accordance with the terms of the Applicable Requirements or the terms of the MEC Interconnection Agreement, ComEd Interconnection Agreement, or agreement with the RRO, as applicable.

(e) Buyer may request changes to the Applicable Schedule that are within the Project Constraints and the requirements of the Connecting Utility and the RRO, as applicable; provided, however, that, in addition to any other payments due hereunder, Buyer shall reimburse Seller for all its additional costs incurred by the Project in connection with any such changes, including, without limitation, Energy Imbalance Charges or gas supply or transportation scheduling or imbalance charges or penalties arising out of such change. Seller shall be obligated to accept a request for a change to the Applicable Schedule for Energy that has been provided to Seller in accordance with the requirements of Section 4.2(b) except to the extent (i) such request is not consistent with the Project Constraints, or (ii) Seller declares that the Project is not available. Notwithstanding the foregoing, Seller shall not be obligated to Startup the Project if doing so is not within the Project Constraints. Buyer shall submit changes to the Applicable Schedule to the Connecting Utility and/or RRO in accordance with the requirements of the Connecting Utility and/or RRO, as applicable.

(f) As soon as possible after an event occurs that may necessitate a change to the Applicable Schedule, each Party shall notify the other, via telephone and confirmed in writing, of such event and any changes or potential changes that such Party may require to the Applicable Schedule as a result. If Buyer receives notice of or actual or deemed knowledge of an Unplanned Outage or other event that requires a change to the then Applicable Schedule for any reason, including to avoid incurring Energy Imbalance Charges, Buyer shall immediately submit all necessary changes to the Applicable Schedule and with the applicable Connecting Utility or RRO in accordance with the requirements of the Connecting Utility and/or RRO, as applicable. For purposes of this Section, Buyer shall be deemed to have immediate knowledge of any interruption in the generation of the Project if Buyer installs communication equipment pursuant to Section 4.5(d). In the event of an Unplanned Outage, the parties shall communicate to determine the impact of such Unplanned Outage on Seller's ability to meet the Applicable Schedule and Seller shall cooperate reasonably with Buyer to permit deliveries of Energy to resume or increase at the time the Project resumes or increases operation following the Unplanned Outage.

(g) (1) This Section 4.2(g)(1) shall apply when both Units are available. Seller shall not reject a request for Energy from Buyer under Section 4.2(b) because of the failure of the energy scheduled from the Project to satisfy the Minimum Load Requirement, if, at the time of the initial establishment of Applicable Schedule pursuant to Sections 4.2(b) and (c) with respect to any Day, Buyer's request is for an amount of Energy that would by itself satisfy the Minimum Load Requirement with respect to a Unit, regardless of whether or not the proposed schedules of Seller's other customer(s) would satisfy the Minimum Load Requirement with respect to the other Unit. Seller shall not be obligated to accept a request for Energy from Buyer under Section 4.2(b), if at the time of the initial establishment of Applicable Schedule pursuant to Sections 4.2(b) and (c) with respect to any Day, Buyer's request is for an amount that would not by itself satisfy the Minimum Load Requirement with respect to a Unit and the proposed schedules of Seller's other customer(s) would satisfy the Minimum Load Requirement with respect to a Unit, provided, however, Seller shall provide notice to Buyer of this condition and Buyer shall be permitted to promptly revise its proposed schedule as necessary to satisfy the Minimum Load Requirement with respect to the other Unit.

(2) Seller shall not reject a request for Energy from Buyer under Section 4.2(b) because of the Minimum Load Requirement, if, at the time of the initial establishment of the Applicable Schedule pursuant to Sections 4.2(b) and (c) with respect to any Day, Buyer's request is for an amount of Energy that is less than the Minimum Load Requirement for a Unit for any hour, but the aggregate amount of energy requested from the Project for such hour by Buyer and Seller's other customer(s) would together satisfy the Minimum Load Requirement for each Unit required to be operated to serve such aggregate amount of energy.

(h) To the extent that the availability of the Project is reduced by a Planned Outage, Unplanned Outage or event of Force Majeure, then Buyer shall have the right to request up to 50% of the Project Capacity then available (but no more than Buyer's Project Capacity); provided that Seller shall have the right to utilize such capacity, to the extent unutilized by Buyer, to meet Seller's commitments to its other customers. This Section 4.2(h) shall be subject to any contrary method of allocating available capacity during a Planned Outage, Unplanned Outage or event of Force Majeure as the Parties may agree in writing, it being understood that neither Party need agree to a contrary method unless satisfactory to it in its sole discretion.

(i) Buyer shall pay all Scheduling Fees charged by any third parties, if any, associated with the scheduling of Energy for its benefit. No Scheduling Fees will be charged to Buyer by Seller hereunder.

(j) If requested by Seller, Buyer shall cooperate reasonably to attempt to establish additional scheduling and operating procedures for implementation of this Agreement.

4.3 Delivery Point.

(a) Except as provided in Section 4.3(c) below, all deliveries and receipts of Energy shall be made at the Delivery Point.

(b) Buyer shall arrange for and provide all Total Transmission Services and pay all Transmission Costs necessary to receive the Energy at, and deliver the Energy from and after, the Delivery Point.

(c) In the event of a Planned Outage, Unplanned Outage or an event of Force Majeure that impairs the ability of Seller to deliver Scheduled Energy, Seller may deliver Energy to Buyer from either (i) Alternative Generation to the Delivery Point or (ii) if approved by Buyer, Alternative Generation to any point of receipt within the control area of either Connecting Utility (the "Alternative Delivery Point") as replacement for the Energy that would otherwise be provided by the Project. In the event Seller so elects to provide Energy, Seller shall arrange for and provide all Total Transmission Services and pay all Transmission Costs necessary to deliver the Energy to the Delivery Point or Alternative Delivery Point, as applicable, and Buyer shall arrange for and provide all Total Transmission Services and pay all Transmission Costs necessary to re-deliver it to any other location from and after the Alternative Delivery Point.

4.4 Energy Imbalance.

If either Buyer or Seller becomes aware that actual hourly deliveries or receipts of Energy hereunder are greater or less than the hourly quantity of Scheduled Energy (any such discrepancy, an "Energy Imbalance"), the Party on notice shall immediately notify the other Party. If actual deliveries of energy are greater or less than the Scheduled Energy, the Parties shall work together to perform corrective action to eliminate (i) the then current Energy Imbalance as soon as possible and (ii) the cumulative Energy Imbalance within the earlier of thirty (30) days and such other period of time in which the applicable Connecting Utility requires such cumulative imbalances to be corrected. Seller shall pay all Energy Imbalance Charges resulting from Seller's failure to deliver Scheduled Energy for any hour; provided, however, that Seller, shall not be obligated to pay any Energy Imbalance Charges resulting from Buyer's failure to timely submit the Applicable Schedule pursuant to Section 4.2(d) or timely submit changes thereto pursuant to Sections 4.2(e) or 4.2(f), and all such resultant Energy Imbalance Charges shall be paid by Buyer. Buyer shall also pay all other Energy Imbalance Charges including Energy Imbalance charges resulting from the failure of Buyer to provide Fuel as required hereunder, the failure by Buyer to schedule the transmission of Energy on the Connecting Utility in a manner that conforms to the Energy Scheduled hereunder, the failure of Buyer to receive Energy in a manner that conforms to the Energy Scheduled hereunder, the failure of any other Persons to take the Energy from Buyer in a manner that conforms to the Energy Scheduled by Buyer hereunder or the failure of Buyer or of any customer of Buyer to receive Energy from the Connecting Utility in a manner that conforms to the Energy Scheduled hereunder (in each case, as adjusted for line losses if applicable).

4.5 Measurement.

(a) All Energy delivered by Seller to Buyer from the Project shall be metered at the Meter. For purposes of determining the Scheduled Energy delivered by Seller to Buyer hereunder, measurement of all Energy delivered by Seller from the Project shall be based on

readings of the Meter. Billings for all Energy delivered by or on behalf of Seller from Alternative Generation shall be based on metering information provided by the transmission provider delivering the Alternative Generation to the Delivery Point or Alternate Delivery Point, as the case may be. Scheduled Energy shall be deemed to be sold and delivered by Seller hereunder to Buyer if provided by Seller at the Delivery Point or the Alternative Delivery Point whether or not Buyer takes such Energy at the Delivery Point or Alternative Delivery Point.

(b) Seller shall request each Connecting Utility to maintain, calibrate, test and read their respective meters in a manner consistent with the MEC Interconnection Agreement or the ComEd Interconnection Agreement, as applicable. Seller and Buyer may agree on other metering procedures consistent with the MEC Interconnection Agreement and the ComEd Interconnection Agreement.

(c) If for any reason any Meter is out of service or out of repair so that the amount of Energy delivered cannot be ascertained or computed from readings thereof, the Energy delivered during the period of such outage shall be estimated by Seller upon the basis of the best data available.

(d) Buyer may, at its expense, construct, install, own and maintain communications equipment to allow real-time measurement of the Project's operating parameters and transmission of such information to Buyer's operation center(s).

4.6 Title, Risk of Loss and Indemnity.

As between the Parties, Seller shall be deemed to be in exclusive control (and responsible for any destruction of property or injury to persons caused thereby) of the Energy prior to delivery to the Delivery Point or the Alternative Delivery Point, as the case may be, and Buyer shall be deemed to be in exclusive control (and responsible for any destruction of property or injury to persons caused thereby) of the Energy at and after the Delivery Point or the Alternative Delivery Point, as the case may be. Each Party shall indemnify, defend and hold harmless (to the extent permitted by law) the other Party from any Claims arising from any such destruction or injury for which such Party is responsible under the immediately preceding sentence. Seller warrants that the Scheduled Energy delivered by Seller shall be free and clear of all liens, claims and encumbrances arising prior to the Delivery Point or the Alternative Delivery Point, as the case may be. Title to and risk of loss related to the Scheduled Energy shall transfer from Seller to Buyer upon delivery of the Scheduled Energy at the Delivery Point or the Alternative Delivery Point, as the case may be.

4.7 Minimum Load.

Seller shall notify Buyer in writing promptly after Seller receives a request for Energy in accordance with the requirements of Section 4.2(b) if Seller will not accept all or any portion of such request for Energy because satisfying the Aggregate Energy Demand during any period of time covered by the request for Energy would require a Unit to operate at less than its "Minimum Load Requirement" as provided for in Exhibit C (a "Minimum Load Condition"). If Seller

delivers such notice to Buyer, pursuant to Section 4.2(e), Buyer shall be entitled to modify its request for Energy by delivery of a written notice to Seller to increase the amount of Energy requested for the period of time when a Minimum Load Condition would otherwise exist to the extent necessary to eliminate such Minimum Load Condition; provided that Buyer's request for Energy, as so modified, must comply with the Project Constraints. If Buyer so schedules Energy, then Buyer shall purchase and receive such Scheduled Energy pursuant to the terms of this Agreement. Buyer's right to receive and purchase Energy under this Section in amounts in excess of the Buyer's Project Capacity shall be subject to curtailment or interruption upon three (3) hours prior notice to the extent that Seller schedules a higher level of energy output with or on behalf of other Persons. In addition to any other charge payable hereunder, Buyer shall pay to Seller for Scheduled Energy in amounts in excess of the Buyer's Project Capacity pursuant to this Section 4.7 a monthly amount equal to the product of the quantity of Energy delivered in amounts in excess of Buyer's Project Capacity pursuant to this Section 4.7 during such Month and the Surcharge Rate.

4.8 Excess Energy.

To the extent that, during any time period during the Delivery Term, Buyer Schedules less than the Buyer's Project Capacity, Seller shall be entitled to use the remaining portion of such Buyer's Project Capacity for other purposes, including, without limitation, the sale of energy to other customers (the energy delivered by Seller to such other customers using such portion of Buyer's Project Capacity, "Excess Energy"). Subject to the other provisions of this Agreement limiting Buyer's rights to Schedule Energy or change the level of Scheduled Energy, such portion of Buyer's Project Capacity shall be available to Buyer no later than two (2) hours after requested by Buyer in accordance with Section 4.2(e); provided, however, to the extent such portion of Buyer's Project Capacity has been used by Seller to deliver energy to another customer of Seller which energy was scheduled by such customer in excess of its contract capacity in order to satisfy the Minimum Load Requirement for the Project, such capacity shall be available to Buyer no later than five (5) hours after requested by Buyer in accordance with Section 4.2(e). If, with respect to any Month during the Delivery Term, Seller delivers energy to another customer in excess of its contract capacity in order to satisfy the Minimum Load Requirement for the Project as contemplated by the foregoing proviso, Seller shall pay to Buyer an amount equal to the product of the quantity of energy so delivered using a portion of Buyer's Project Capacity as contemplated by such proviso during such Month and the Surcharge Rate.

5. PAYMENTS

5.1 Guaranteed Payment.

Buyer shall pay the Guaranteed Payment to Seller for each Month during the Delivery Term. The Guaranteed Payment shall be due monthly in arrears pursuant to Article 12 throughout the Delivery Term whether or not Buyer actually takes any Energy under this Agreement.

5.2 Energy Payment.

Buyer shall pay to Seller each Month during the Delivery Term the Variable Energy Payment. The Variable Energy Payment shall be payable in arrears pursuant to Article 12.

5.3 Availability Requirements.

(a) For each Summer Period during the Delivery Term, Seller shall maintain an On Peak Availability Factor of at least 96.5% in accordance with this Section 5.3(a). The On Peak Availability Factor shall be determined for any Summer Period by dividing (i) the difference between the Aggregate On Peak Energy minus the Cumulative On Peak Undelivered Energy by (ii) the Aggregate On Peak Energy. The On-Peak Availability Factor shall be expressed as a percentage, which shall be deemed in no event to exceed one hundred percent (100%).

WHERE:

"Aggregate On Peak Energy" means, for any Summer Period, the sum of the Hourly On Peak Energy for each On Peak Hour of such Summer Period.

"Hourly On Peak Energy" means, for any On Peak Hour of a Summer Period, the product of the Applicable Capacity for such hour times one hour.

"Applicable Capacity" means, for any Day, the applicable Buyer's Monthly Net Capability adjusted for the actual peak ambient temperature on such Day in accordance with Exhibit G.

"Hourly On Peak Undelivered Energy" means, for any On Peak Hour of a Summer Period, the sum, without duplication, of (i) the Energy in MWh Scheduled by Buyer in accordance with Section 4.2 and not delivered by Seller during such hour and (ii) any Energy in MWh not Scheduled by Buyer to the extent Seller has declared such Energy to be unavailable during such hour in accordance with clause (ii) of the first sentence of Section 4.2(a). For the avoidance of doubt, any Energy not delivered by Seller because of a breach by Buyer of its obligations under this Agreement shall not be counted in determining the foregoing sum.

"Cumulative On Peak Undelivered Energy" means, for any Summer Period, the sum of the Hourly On Peak Undelivered Energy for each On Peak Hour of such Summer Period.

Notwithstanding the foregoing, there shall be excluded for purposes of calculating the On Peak Availability Factor, each On Peak Hour of the Summer Period for which any event of Force Majeure (up to twenty-five (25) Days per occurrence of such an event):

(i) adversely affected the Project's production or delivery of Scheduled Energy during such hour; or

(ii) resulted in Seller declaring any Energy to be unavailable in accordance with clause (ii) of the first sentence of Section 4.2(a).

At the end of the Summer Period, Seller shall pay to Buyer, as Buyer's sole and exclusive remedy for any failure of Seller to maintain an On Peak Availability Factor of at least 96.5% during such Summer Period, a rebate in an amount equal to the product of (i) 96.5% minus the On Peak Availability Factor, (ii) 66%, and (iii) the amount of the Summer Period Guaranteed Payments for such Summer Period. If the On Peak Availability Factor exceeds 96.5% during any such Summer Period, Buyer at the end of such Summer Period, shall pay to Seller a bonus in an amount equal to the product of (i) the On Peak Availability Factor minus 96.5%, (ii) 66%, and (iii) the amount of the Summer Period Guaranteed Payments for such Summer Period.

(b) For each Contract Year during the Delivery Term, Seller shall maintain an Annual Availability Factor of at least 95.5% in accordance with this Section 5.3(b). The Annual Availability Factor shall be determined, for each Contract Year, by dividing (i) the difference between the Aggregate Energy minus the Cumulative Undelivered Energy by (ii) the Aggregate Energy. The Annual Availability Factor shall be expressed as a percentage, which shall be deemed in no event to exceed one hundred percent (100%).

WHERE;

"Aggregate Energy" means, for any Contract Year, the sum of the Hourly Energy for each hour of such Contract Year.

"Hourly Energy" means, for any hour, the product of the Applicable Capacity for such hour times one hour.

"Hourly Undelivered Energy" means, for any hour, the sum, without duplication, of (i) the Energy in MWh Scheduled by Buyer in accordance with Section 4.2 and not delivered by Seller during such hour and (ii) any Energy in MWh not Scheduled by Buyer to the extent Seller has declared such Energy to be unavailable during such hour in accordance with the clause (ii) of the first sentence of Section 4.2(a). For the avoidance of doubt, any Energy not delivered by Seller because of a breach by Buyer of its obligations under this Agreement shall not be counted in determining the foregoing sum.

"Cumulative Undelivered Energy" means, for any Contract Year, the sum of the Hourly Undelivered Energy for each hour of such Contract Year.

Notwithstanding the foregoing, there shall be excluded for purposes of calculating the Annual Availability Factor, each hour in which Planned Outages occur (except to the extent described in Exhibit H) and each hour that satisfies both of the following requirements for which any event of Force Majeure (up to twenty-five (25) Days per occurrence of such an event):

(i) adversely affected the Project's production or delivery of Scheduled Energy during such hour; or

(ii) resulted in Seller declaring any Energy to be unavailable in accordance

with clause (ii) of the first sentence of Section 4.2(a).

At the end of the Contract Year, Seller shall pay to Buyer, as Buyer's sole and exclusive remedy for any failure of Seller to maintain an Annual Peak Availability Factor of at least 95.5% during such Contract Year, a rebate in an amount equal to the product of (i) 95.5% minus the Annual Availability Factor (ii) 22% and (iii) the Non-Summer Guaranteed Payments for such Contract Year; provided, however, if the Annual Availability Factor is less than eighty percent (80%), then the rebate shall be increased by an amount equal to the product of (x) eighty percent (80%) minus the Annual Availability Factor, (y) 24% and (z) the Non-Summer Period Guaranteed Payments for such Contract Year. If the Annual Availability Factor exceeds 95.5%, during any Contract Year, Buyer at the end of such Contract Year, shall pay to Seller a bonus in an amount equal to the product of (i) the Annual Availability Factor minus 95.5% (ii) 22% and (iii) the Non-Summer Period Guaranteed Payments for such Contract Year.

(c) For purposes of calculating the On Peak Availability Factor and the Annual Availability Factor, Alternative Generation provided by Seller shall be counted for purposes of determining whether any rebate provided by this Section 5.3 is payable by Seller to Buyer, but shall not be counted for purposes of determining whether any bonus provided by this Section 5.3 is payable by Buyer to Seller.

6. INTENTIONALLY OMITTED

7. REPRESENTATIONS AND WARRANTIES

7.1 Representations and Warranties.

As a material inducement to entering into this Agreement, each Party with respect to itself, hereby represents and warrants to the other Party as follows:

(a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and is qualified to conduct its business in those jurisdictions necessary to perform this Agreement;

(b) the execution, delivery and performance of this Agreement are within its corporate or limited liability company powers, as the case may be, and have been duly authorized by all necessary corporate or limited liability company action, as the case may be;

(c) this Agreement constitutes a legal, valid and binding obligation of such Party enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other laws affecting creditor's rights generally, and the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity; and

(d) there are no bankruptcy, insolvency, reorganization, receivership or other similar proceedings pending or being contemplated by it, or to its knowledge threatened against it.

7.2 No Other Representations and Warranties.

Each Party acknowledges that it has not entered into this Agreement based upon representations and warranties other than the express representations and warranties set forth in this Agreement.

8. COVENANTS

8.1 Remaking of Representations and Warranties. Each Party covenants that it will cause its respective representations and warranties in Section 7.1 (a) through (c) to remain true and correct throughout the Contract Term.

8.2 Professional Operations. Each Party shall employ, either directly or indirectly, professional personnel who are fully capable of performing the tasks of such Party under Sections 3.4(d), 3.4(f), 4.2, 4.3(c) and 4.4 of this Agreement on a 24-hour per Day, 7-Day per week basis.

8.3 Operation of the Project. Seller shall use all commercially reasonable efforts to operate and maintain the Project consistent with Prudent Industry Practice. Seller shall obtain and maintain insurance in accordance with the requirements of Exhibit I hereto. Seller shall not amend the Gas Distribution Agreement, ComEd Interconnection Agreement, or MEC Interconnection Agreement in such a manner that would have a material adverse effect on Buyer without obtaining Buyer's written consent.

8.4 Confidentiality. Any Confidential Information is disclosed in confidence, and the transferee shall restrict its use of such information solely to uses related to the development, construction, ownership, financing, operation or disposition of the Project, the purchase, sale or resale of the Project capacity and Energy hereunder or the performance of this Agreement. Neither the transferee nor any consultant or other person to whom any Confidential Information is provided in connection with the Project or performance of this Contract shall publish or otherwise disclose such information to others or use such information for any purpose except as expressly provided above without the written approval of the transferor; provided, however, that nothing herein shall limit (i) the right of Seller to provide any Confidential Information regarding this Agreement to any Financing Entity (or advisors retained on their behalf) or their successors and assigns, or (ii) the right of either Party to supply such information to any governmental authority asserting a right to such information, or as may be required by Applicable Requirements.

8.5 MAPP/MAIN. Seller and Buyer may become members of either or both of MAPP or MAIN at their election.

8.6 Cooperation. Buyer shall cooperate in good faith with and provide reasonable assistance

to Seller and its Affiliates in providing information to actual or prospective Financing Parties for the Project, and cooperate in good faith with Seller and its Affiliates to obtain financing or re-financing for the Project. In connection therewith, Buyer shall enter into a consent to Seller's assignment of this Agreement to the Financing Parties and such other agreements, instruments, opinions, and documents as Seller or the Financing Parties may reasonably request in connection with such financing or re-financing.

8.7 Planned Outages. Seller shall schedule Planned Outages in accordance with Exhibit H.

8.8 Sales for Resale. Buyer shall sell or otherwise dispose of the capacity and Energy actually purchased by Buyer hereunder in a manner that causes the sale of the capacity and Energy by Seller to Buyer hereunder to be "sales for resale" in accordance with the Federal Power Act and applicable FERC regulations.

8.9 Operating Committee. An "Operating Committee" shall be established by the Parties to oversee the implementation of the transaction as provided below. The membership of the Operating Committee shall be comprised of two (2) individuals, one of which shall be appointed by Seller and one of which shall be appointed by Buyer. Either Party may appoint one or more individuals to serve as alternates to the member appointed by such Party and one of such Party's alternate(s) shall have the powers and duties of such Party's member on the Operating Committee during the absence of the Party's member. The Operating Committee shall meet at such times as the members may mutually agree. Meetings may be in person or by telephone or video conference call. The members may agree to have other representatives of the Parties at the meetings. The Operating Committee shall be responsible for only such matters as both Parties shall mutually agree in writing. No proceedings or decisions of the Operating Committee shall be binding upon either Party unless mutually agreed to in writing by the Operating Committee members of both Parties expressly acting in their capacity as members of the Operating Committee.

9. CONDITIONS PRECEDENT

9.1 Seller's Conditions Precedent. Notwithstanding any other provisions of this Agreement, the effectiveness of this Agreement (other than Sections 3.2(c), 8.4, 8.6, 9, 10, 11, 13, 14, 15 and 16) is subject to the satisfaction, or the waiver (other than the waiver of any of the requirements of Exhibit J) by Seller, of the following conditions precedent:

(a) the receipt by Seller and Buyer of all necessary governmental approvals for the Agreement to become effective and for the Parties to perform their respective obligations hereunder (including, without limitation, the filing by Seller of this Agreement with the FERC and the acceptance by the FERC of this Agreement and the receipt by Buyer of the governmental approvals set forth in Exhibit J); and

(b)(i) Seller shall have received a Ratings Reaffirmation in connection with this Agreement and the exercise by Seller of rights to call back Project capacity from its other customer(s) for use in connection with this Agreement or (ii) Seller shall have notified Buyer in

writing that no such Ratings Reaffirmation is required under the agreements entered into by Seller and Cordova Funding Corporation for the financing of the Project.

9.2 **Buyer's Condition Precedent.** Notwithstanding any other provision of this Agreement, the effectiveness of this Agreement (other than Sections 3.2(c), 8.4, 8.6, 9, 10, 11, 13, 14, 15 and 16) is subject to the satisfaction, or the written waiver (other than the waiver of any of the requirements of Exhibit J) by Buyer, of the following conditions precedent:

(a) the receipt by Seller and Buyer of all necessary governmental approvals for the Agreement to become effective and for the Parties to perform their respective obligations hereunder (including the filing by Seller of this Agreement with the FERC and the acceptance by the FERC of this Agreement) and the receipt by Buyer of the governmental approvals set forth in Exhibit J); and

(b) Seller shall not have received from MAPP a determination that Buyer's Project Capacity will not be accredited as a result of a term or condition in the Agreement.

9.3 **Notification**. Each Party shall promptly (but in no event later than ten (10) Days after a condition is satisfied) notify the other Party in writing of such first Party's satisfaction of each condition precedent above. Seller and Buyer each shall use reasonable efforts to satisfy the conditions precedent applicable to it, and shall cooperate reasonably with the other Party in such other Party's efforts to satisfy its conditions precedent; provided, however, neither Party shall be required to agree to any amendment, modification or waiver of any provision of this Agreement or to agree to any other condition, term, obligation or requirement with respect to any governmental approval or Ratings Reaffirmation unless such Party in its sole discretion is willing to do so.

9.4 **Effectiveness.** Notwithstanding anything herein to contrary, this Agreement shall be deemed not effective and null and void in the event the approvals set forth in Exhibit J are not obtained by July 20, 2000 or such later date as the Parties may mutually agree in writing but in no event later than the Day prior to Commercial Operation Date.

10. TERMINATION

If the Parties have not satisfied or waived their respective conditions precedent set forth in Sections 9.1 and 9.2 and notified the other Party thereof, by July 20, 2000, this Agreement shall automatically terminate without cost or penalty to either Party, unless such date is extended or waived by written agreement of both Parties.

11. EVENTS OF DEFAULT AND REMEDIES

11.1 **Event of Default.** An "Event of Default" shall mean:

(a) the failure of the defaulting Party to make, when due, any payment required under this Agreement if such failure is not remedied within five (5) Business Days after written notice

of such failure is given to the defaulting Party by the other Party; or

(b) any material representation or warranty made by the defaulting Party in this Agreement shall prove to have been false or misleading in any material respect when made; or

(c) the material breach by the defaulting Party of any covenant set forth in this Agreement (other than (i) any event that is otherwise specifically covered in this Section 11.1 as a separate Event of Default and (ii) the breach of such Party's obligations, as applicable, to achieve the Commercial Operation Date or to deliver Energy, the sole and exclusive remedies for which are provided in Sections 3.2 or 5.3, as applicable), and such failure is not cured within thirty (30) Days after written notice thereof to the defaulting Party or, if the breach or default is not of the type that can be reasonably cured within thirty (30) Days, within a reasonable period of time, so long as the defaulting Party has commenced to cure the breach or default within such thirty (30) Day period and thereafter diligently pursues such cure to completion within one hundred eighty (180) days; or

(d) the defaulting Party shall:

(i) make an assignment or any general arrangement for the benefit of creditors;

(ii) file a petition or otherwise commence, authorize or acquiesce in the commencement of a proceeding or cause of action under any bankruptcy or similar law for the protection of creditors, or have such petition filed against it and such petition is not withdrawn or dismissed within sixty (60) Days after such filing;

(iii) otherwise become bankrupt or insolvent (however evidenced); or

(iv) be unable to pay its debts as they fall due.

11.2 Remedies Upon an Event of Default.

(a) Upon the occurrence and during the continuation of any Event of Default, the Party not in default shall have the right:

(i) to terminate this Agreement upon ten (10) Days' written notice to the defaulting Party; or

(ii) to pursue any other remedy (A) provided under this Agreement or (B) subject to Sections 11.3 and 14.2, now or hereafter existing at law.

(b) Notwithstanding any other provision of this Agreement, a Party's damages shall not include any Stranded Costs.

11.3 Acknowledgment of the Parties.

(a) Each Party hereby stipulates that the payment obligations set forth in Section 5.3 are reasonable in light of the anticipated harm and the difficulty of estimation or calculation of actual damages and each Party hereby waives the right to contest such payments as an unreasonable penalty. The remedy set forth in Sections 3.2 and 5.3, as the case may be, shall be the sole and exclusive remedy of the aggrieved Party for Seller's failure to meet the Commercial Operation Date, Seller's failure to meet the other milestones set forth in Section 3.2, and the failure of Seller to sell and deliver the Scheduled Energy, respectively, and all other damages and remedies therefor are hereby waived.

(b) In the event either Party fails to pay amounts in accordance with the terms of this Agreement when due, the aggrieved Party (a) shall have the right to suspend performance until such amounts plus interest at the Late Payment Rate have been paid, and/or (b) shall be entitled to interest at the Late Payment Rate from the date due until the date paid.

11.4 Other Events.

In the event that Buyer is regulated by a federal, state or local regulatory body, and such body shall disallow recovery of all or any portion of any costs incurred or yet to be incurred by Buyer under any provision of this Agreement, such action shall not operate to excuse Buyer from performance of any obligation nor shall such action give rise to any right of Buyer to any refund or retroactive adjustment of the amounts owed under the Agreement.

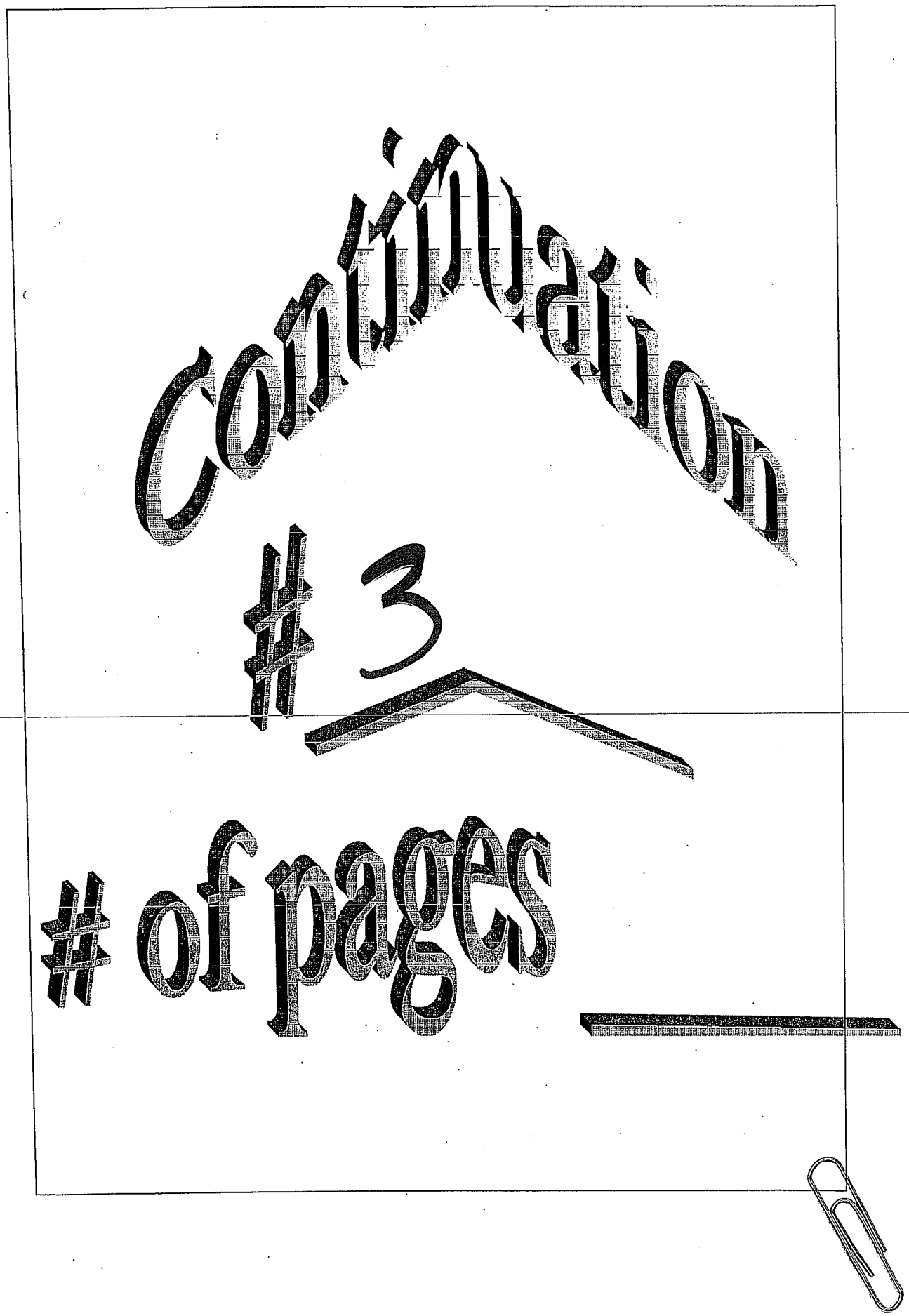
12. BILLING AND PAYMENT

12.1 Billing and Payment.

Seller shall render to Buyer (by regular mail, facsimile or other acceptable means pursuant to Section 16.1) for each Month during the Delivery Term a statement setting forth the Guaranteed Payment for such Month, the Variable Energy Payment for the Month and any other charges due Seller, including payments or credits between the Parties pursuant to Sections 3.4(f), 4.3(c), 4.4 and 5.3 during the preceding Month, and the amounts due to Seller from Buyer therefor. If Seller is missing any relevant information at the time Seller prepares a regular monthly invoice, then Seller may separately invoice Buyer for any affected payment or amount in a supplemental invoice or subsequent regular invoice upon receipt of the relevant information. On or before twenty (20) Days after receipt of Seller's statement, or if such Day is not a Business Day, on the Day provided in Section 1.2(f), Buyer shall render, by wire transfer, the amount set forth on such statement to the payment address provided in Exhibit F hereto. Overdue payments shall accrue interest from, and including, the due date to, but excluding, the date of payment at the Late Payment Rate.

12.2 Audit.

Each Party (and its Representatives) has the right, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to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verify the accuracy of any statement, charge or computation made pursuant to this Agreement. If requested, a Party shall provide to the other Party statements evidencing the quantities of Energy delivered at the Delivery Point or the Alternative Delivery Point. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be promptly made and shall bear interest calculated at the Late Payment Rate from the date the overpayment or underpayment was made until paid; *provided, however*, that no adjustment of any statement or payment will be made unless objection to the accuracy thereof was made prior to the lapse of one year from the rendition thereof.

13. ASSIGNMENT; BINDING EFFECT

13.1 Assignment.

Neither Party shall assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, either Party may, without the need for consent from the other Party (and without relieving itself of its obligations hereunder), (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements; or (ii) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets of such Party; *provided, however*, that in each such case other than clause (i), (x) the assignee shall make representations to the other Party identical to those under Section 7.1, and (y) the assignee shall agree in writing to be bound by the terms and conditions of this Agreement.

13.2 Binding Effect.

This Agreement shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. No assignment or transfer permitted hereunder shall relieve Seller or Buyer of any of their respective obligations under this Agreement.

14. FORCE MAJEURE AND LIMITATION OF LIABILITY

14.1 Force Majeure.

If either Party is rendered unable by Force Majeure to carry out, in whole or in part, its obligations under this Agreement and such Party gives notice and full details of the event to the other Party as soon as practicable after the occurrence of the event, the obligations of the Party affected by the event (other than the obligation to make payments due under this Agreement) shall be suspended to the extent so affected. The Party affected by the Force Majeure shall use commercially reasonable efforts to continue to perform its obligations under this Agreement and remedy its inability to perform; *provided, however*, that this provision shall not require Seller to deliver, or Buyer to receive, Energy at points other than the Delivery Point or, if elected by Seller in accordance with Section 4.3(c), an Alternative Delivery Point. Nothing in this Section 14.1 shall require the settlement of any strike, walkout, lockout or other labor dispute on terms that, in the sole judgment of the Party involved in the dispute, are contrary to that Party's interest. It is

understood and agreed that the settlement of strikes, walkouts, lockouts or other labor disputes shall be entirely within the discretion of the Party having the difficulty.

14.2 Limitation of Remedies, Liability and Damages.

THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS HEREIN STATED TO BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY HEREIN PROVIDED, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING, WITHOUT LIMITATION, THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE LIQUIDATED DAMAGES CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

14.3 Duty to Mitigate.

Each Party agrees that it has a duty to mitigate damages and covenants that it will use commercially reasonable efforts to minimize any damages it may incur as a result of the other Party's performance or non-performance of this Agreement.

15. TAXES; STRANDED COSTS

15.1 General.

Buyer and Seller shall each use reasonable efforts to implement the provisions of and to administer this Agreement in accordance with their intent to minimize taxes, so long as neither Party is materially adversely affected by such efforts. Either Party, upon written request of the other, shall provide a certificate of exemption or other reasonably satisfactory evidence of exemption if either Party is exempt from taxes, and shall use reasonable efforts to obtain and cooperate with obtaining any exemption from or reduction of tax. Either Party with knowledge of a tax on the purchase or sale of energy that may be applicable to the Energy sold hereunder shall notify the other Party, in advance, of the applicability of such tax and shall also notify the other Party of any proposal to implement a new tax or apply an existing tax to the purchase, sale, delivery, or receipt of Energy hereunder.

15.2 Applicable Taxes.

Seller shall be responsible for all existing and any new sale, use, energy, excise, gross receipts, ad valorem, and any other similar taxes, imposed or levied by any federal, state or local governmental agency on or with respect to the Energy sold and delivered hereunder prior to the Delivery Point or the Alternative Delivery Point, as the case may be. Buyer shall be responsible for all existing and any new sale, use, energy, excise, gross receipts, ad valorem, and any other taxes, imposed or levied by any federal, state or local governmental agency on the Energy sold and delivered hereunder at or after the Delivery Point or the Alternative Delivery Point, as the case may be. If Seller is required to collect or pay any tax levied at the Delivery Point or the Alternative Delivery Point, as the case may be, on behalf of Buyer as a result of the sales transaction contemplated in this Agreement (including, but not limited to, any sales, use, utility or gross receipts tax, or any tax of a similar nature), Buyer shall reimburse that tax to Seller. Neither Party shall be required to pay, or cause to be paid, any taxes measured by the income of the other Party. Each Party shall indemnify (to the extent permitted by law), release, defend and hold harmless the other Party from and against any and all liability for (i) taxes measured by the income of the indemnifying Party and (ii) taxes imposed or assessed by any taxing authority with respect to the Energy sold, delivered and received hereunder that are the responsibility of the Party pursuant to this Section 15.2.

15.3 Stranded Costs.

Notwithstanding any other provision in this Agreement to the contrary, in performance of this Agreement neither Party shall be required to bear, directly or indirectly, any Stranded Costs (including, without limitation, any transmission surcharges, taxes, etc.) incurred by the other Party or any customer or supplier of the other Party or any other Person, or that are assessed or levied by any Person against the other Party.

16. MISCELLANEOUS

16.1 Notices.

Any notice, request, demand or other communication required or permitted to be given under this Agreement shall be in writing (unless otherwise provided herein) and shall be deemed to have been duly given and received (i) at the time of service if served personally, (ii) one half hour after the time of confirmation of transmission if sent via facsimile transmission and written confirmation is received, (iii) on the day after delivery to a courier for overnight delivery, with delivery fees prepaid, or (iv) on the fifth day after mailing when deposited in the United States Mail (registered or certified receipt requested) postage prepaid by first class mail, in each case to the addresses or facsimile numbers, as applicable, specified in Exhibit F. Notices permitted to be delivered via telephone under this Agreement shall be deemed to be received at the time the phone conversation takes place using the phone numbers specified in Exhibit F. The Party delivering notice via telephone shall provide the other Party with a written statement regarding the subject matter of such telephone notice on the Business Day following the date such

telephonic notice was provided.

16.2 Entirety.

This Agreement and the Exhibits hereto constitute the entire agreement between the Parties related to the subject matter hereof and supercedes all prior agreements covering such subject. There are no prior or contemporaneous agreements or representations affecting the same subject matter other than those herein expressed. Except for any matters which, in accordance with the express provisions of this Agreement, may be resolved by verbal agreement between the Parties, no amendment, modification or change herein shall be enforceable unless reduced to writing and executed by both Parties. For the avoidance of doubt, this Agreement does not supercede the Gas Distribution Agreement, the MEC Interconnection Agreement or any agreements for the transmission of energy, the construction of facilities or the transfer or use of real estate rights, all of which remain in full force and effect.

16.3 Governing Law.

THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ILLINOIS, WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS.

16.4 Non-Waiver.

No waiver by any Party hereto of any one or more defaults by the other Party in the performance of any of the provisions of this Agreement shall be construed as a waiver of any other default or defaults whether of a like kind or different nature.

16.5 Severability.

Except as otherwise stated herein, any provision or article declared or rendered unlawful by a court of law or regulatory agency or jurisdiction over the Parties, or deemed unlawful because of a statutory change, will not otherwise affect the lawful obligations that arise under this Agreement. In such circumstances, the Parties agree to negotiate in good faith to restore the agreement as near as possible to the original intent and effect.

16.6 Headings; Exhibits.

The headings used for the sections and articles herein are for convenience and reference purposes only and shall in no way affect the meaning or interpretation of the provisions of this Agreement. Any and all Exhibits referred to in this Agreement are, by such reference, incorporated herein and made a part hereof for all purposes.

16.7 No Third Party Beneficiaries.

Nothing in this Agreement shall provide any benefit to any third party or entitle any third

party to any claim, cause of action, remedy or right of any kind, it being the intent of the Parties that this Agreement shall not be construed as a third party beneficiary contract.

16.8 Counterparts.

This Agreement may be executed in several counterparts, each of which is an original and all of which constitute one and the same instrument.

16.9 Arbitration.

ANY CONTROVERSY OR CLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BREACH THEREOF SHALL BE SETTLED BY ARBITRATION ADMINISTERED BY THE AMERICAN ARBITRATION ASSOCIATION (THE "AAA") IN ACCORDANCE WITH ITS COMMERCIAL ARBITRATION RULES, AND JUDGMENT ON THE AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. WITHIN FIFTEEN (15) DAYS AFTER EITHER PARTY HAS PROVIDED NOTICE TO THE OTHER THAT IT IS INVOKING ARBITRATION WITH RESPECT TO ANY CONTROVERSY OR CLAIM HEREUNDER, BUYER AND SELLER SHALL MUTUALLY AGREE ON THE SELECTION OF AN ARBITRATOR, AND IF THE PARTIES HAVE NOT SO AGREED WITHIN SUCH FIFTEEN (15) DAY PERIOD, THEN THE ARBITRATOR SHALL BE SELECTED UNDER THE EXPEDITED RULES OF THE AAA. ANY ARBITRATION SHALL BE COMPLETED WITHIN ONE HUNDRED TWENTY (120) DAYS AFTER EITHER PARTY FIRST DELIVERS NOTICE TO THE OTHER PARTY OF THE COMMENCEMENT OF SUCH ARBITRATION (SUCH ONE HUNDRED TWENTY (120) DAY PERIOD, THE "ARBITRATION PERIOD"), AND THE ARBITRATOR SHALL AGREE TO COMPLY WITH THIS SCHEDULE BEFORE ACCEPTING APPOINTMENT; PROVIDED, HOWEVER, THAT THIS TIME LIMIT MAY BE EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES. ANY ARBITRATION SHALL BE HELD IN DES MOINES, IOWA IN A LOCATION MUTUALLY AGREEABLE TO THE PARTIES. ANY ARBITRATION SHALL BE CONDUCTED ACCORDING TO THE FOLLOWING: (A) NOT LATER THAN SEVEN (7) DAYS PRIOR TO THE HEARING DATE SET BY THE ARBITRATOR EACH PARTY SHALL SUBMIT A BRIEF TO THE OTHER PARTY AND TO THE ARBITRATOR, (B) THE HEARING, AND ALL MATTERS RELATED THERETO, SHALL BE CONDUCTED ON A CONFIDENTIAL BASIS WITHOUT CONTINUANCE OR ADJOURNMENT, (C) EACH PARTY SHALL BE RESPONSIBLE FOR ITS OWN EXPENSES AND THOSE OF ITS COUNSEL AND REPRESENTATIVES, AND (D) NO OFFER MAY BE MADE OF THE DETAILS OF ANY SETTLEMENT NEGOTIATION RELATED TO THE ARBITRATION OR THE COST TO THE PARTIES OF THEIR REPRESENTATIVES AND COUNSEL. THE PARTIES SHALL BE ENTITLED TO DISCOVERY AS PERMITTED BY THE FEDERAL RULES OF CIVIL PROCEDURE; PROVIDED, HOWEVER, THAT THE ARBITRATOR SHALL ADJUST THE TIME PERIODS PROVIDED FOR SUCH DISCOVERY IN ORDER TO COMPLETE THE ARBITRATION WITHIN THE ARBITRATION PERIOD; PROVIDED, FURTHER, THAT EACH PARTY SHALL BE LIMITED TO A MAXIMUM OF FIVE (5) DEPOSITIONS, WITH ADDITIONAL DEPOSITIONS ALLOWED ONLY WITH THE PERMISSION OF THE ARBITRATOR AND FOR GOOD CAUSE SHOWN. EACH DEPOSITION SHALL BE LIMITED TO A MAXIMUM OF ONE DAY.

16.10 Acknowledgment of Arbitration.

EACH PARTY UNDERSTANDS THAT THIS AGREEMENT CONTAINS AN AGREEMENT TO ARBITRATE WITH RESPECT TO ANY DISPUTE PERTAINING TO THIS AGREEMENT. AFTER SIGNING

THIS AGREEMENT, EACH PARTY UNDERSTANDS THAT IT WILL NOT BE ABLE TO BRING A LAWSUIT CONCERNING ANY DISPUTE THAT MAY ARISE HEREUNDER. INSTEAD, EACH PARTY AGREES TO SUBMIT ANY SUCH DISPUTE TO AN IMPARTIAL ARBITRATOR. IN THE ABSENCE OF MANIFEST ERROR, THE FINAL ARBITRATION AWARD SHALL BE BINDING UPON THE PARTIES AND SHALL BE FINAL AND NONAPPEALABLE.

16.11 **Further Assurances.** The Parties shall execute such additional documents, and shall cause such additional action to be taken as may be required or, in the reasonable judgment of any Party, may be necessary or desirable, to effect or evidence the provisions of this Agreement and the transactions contemplated hereby.

IN WITNESS WHEREOF, each of Buyer and Seller has caused this Agreement to be duly executed on its behalf as of the date first above written.

CORDOVA ENERGY COMPANY LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

MIDAMERICAN ENERGY COMPANY, an Iowa corporation

By: _____
Name: _____
Title: _____

[SIGNATURE PAGE TO POWER PURCHASE AGREEMENT]

EXHIBIT A
PROJECT DESCRIPTION

The Project is proposed to be located in Rock Island County, at 12712 192nd Avenue North, Cordova, Illinois 61242. The Project is designed to be a gas-fired, combined cycle plant containing two combustion turbines, two heat recovery steam generators, and a steam turbine-generator. The Project design includes the following major components:

A. Combustion Turbines – Two new Siemens-Westinghouse 501FD combustion turbines with natural gas firing, steam power augmentation and inlet air cooling.

B. Heat Recovery Steam Generators (HRSGs) – Two new Deltak HRSGs. Supplemental duct firing will not be included in the design. Each HRSG is designed to supply high-pressure steam to the steam turbine at a sliding pressure between 1200 psia and 1800 psia and at 1050 degrees F. The Project design includes Selective Catalytic Reduction modules to limit NOX emissions from the Project.

C. Steam Turbine – The single new Toshiba steam turbine will be a condensing turbine of approximately 180 MW (gross) with its own lube and control oil systems. The Project design provides that the steam turbine receives its steam from the HRSGs.

D. Generators – The Project design provides that the Project's generators are to be new, totally enclosed water to air cooled, 3600 rpm, 18kV, three phase, 60Hz design.

E. Auxiliaries – Auxiliary equipment and facilities to support the operation of the Project including a cooling tower, auxiliary boiler, water treatment equipment and discharge line, fire protection, back-up power equipment, control and communication systems and HVAC systems.

F. Transmission Interconnection -The Project is designed to be interconnected at 345 kV to both the Commonwealth Edison Company and MidAmerican Energy Company transmission systems at or in the vicinity of the site of the Project.

G. Gas Interconnection -The Project is designed to connect to the LDC gas distribution system Nitrin line.

H. Site – The Project design leaves room at the site for the installation of additional units and related facilities. For purposes of this Agreement, any such additional units and related facilities are not part of the Project.

I. Capacity – The Project is designed to have a Project Capacity of at least 510 MW at the time of substantial completion under the EPC Contract and at least 537 MW at the time of final completion under the EPC Contract, in each case at 59 degrees Fahrenheit and 60% relative humidity.

j. Design – The Project is designed to have an operating life in normal commercial operation of not less than twenty (20) years following the Commercial Operation Date.

EXHIBIT B
FUEL SPECIFICATIONS

Natural gas meeting the natural gas quality requirements in effect from time to time to transport such natural gas under the tariff of Northern Border Pipeline Company or Natural Gas Pipeline Company of America, whichever such pipeline is delivering the gas to the LDC.

EXHIBIT C
PROJECT CONSTRAINTS

The Project Constraints are the actual operational constraints of the Project while being operated in accordance with Prudent Industry Practice and Applicable Requirements including, without limitation, minimum load levels, maximum capacity, maximum ramp rates (up or down), minimum time required for start-up and the constraints on the ability to obtain and to change fuel supply and transportation as set forth in the fuel supply and transportation agreements for the Project.

Set forth below is a description of the Project Constraints based upon the initial design of the Project. Seller shall provide a revised Exhibit C containing a more detailed description of the Project Constraints following completion of final design by the EPC Contractor. Thereafter, Seller shall deliver to Buyer a revised Exhibit C if it becomes aware that there has been a material change to the Project Constraints. During the Delivery Term, the Project Constraints shall be those described in the Exhibit C then in effect unless and until superceded by a revised Exhibit C delivered by Seller in accordance with the immediately prior sentence. Seller shall use reasonable efforts to cause the actual Project Constraints to be no more restrictive than those set forth on this Exhibit C.

1. **Minimum Load Requirements**. As used herein, the "Minimum Load Requirement" for any Unit is the greater of the minimum level necessary to operate in compliance with the Project's air permit and the minimum load requirement imposed by the reasonable capabilities of the Project equipment or other Project Constraints, which is estimated to be 75% of the capacity of the Unit.

2. **Ramp Rates**. The estimated maximum ramp rate of each Unit is 100 MW per hour assuming a warm (less than 8 hour shutdown) steam turbine/HRSG. Ramp rates without the steam turbine warm may also be limited by the Startup constraints described in Section 3 below.

3. **Start-Up Times**. The estimated minimum time periods from commencement to completion of the Startup of a Unit, which are a function of the period of time the Unit has been off line, are:

Prior Off Line Period	Less Than 8 Hours	8 to 48 Hours	Greater than 48 Hours
Minimum Start-Up Time	2 hours	4 hours	6 hours

4. **Emission Constraints and Limitations**. Buyer may schedule energy from the Project only in a manner that will allow Seller to comply with all state and federal environmental laws and regulations in effect from time to time. It is currently estimated that compliance with Section 1 above will be sufficient to satisfy the requirements of Section 4.

5. **Fuel Supply and Transportation Constraints.** The transportation of the necessary Buyer's Fuel Supply Requirement from the Fuel Delivery Point(s) to the Project is permitted in accordance with the terms of the Gas Distribution Agreement.

6. **Reactive Power Support.** Reactive Power need not be supplied outside of the reactive power capability curves of the Project generators as specified by the manufacturers thereof.

In addition, the Project Constraints shall include the following:

1. **Maximum Quantity.** Subject to Section 4.7, for any hour during the Delivery Term, Buyer shall not, without the prior written consent of Seller, Schedule a quantity of Energy that is more than the product of Buyer's Project Capacity and the percentage (between 98% and 100%) utilized by Seller in establishing the then effective Monthly Net Capability under the fourth paragraph of Section 1 of Exhibit G (which percentage shall be the same for each Month of a given Contract Year unless the Parties otherwise agree in writing)..

EXHIBIT D
HEAT RATE

Guaranteed Heat Rate. The Guaranteed Heat Rate for the first six months of the first Contract Year shall be calculated as follows:

Guaranteed Heat Rate = NHR X PCF X DF

WHERE:

NHR = Net heat rate value (in BTU/kWh, HHV), which shall be equal to 6793 BTU/kWh HHV at 59 degrees Fahrenheit and 60 percent relative humidity which is the heat rate value in the EPC Contract after conversion from LHV to HHV basis for measurement.

PCF = Performance completion factor, which, at any time during the period from the Commercial Operation Date until the earlier of (i) date of achievement of the net heat rate guarantee under the EPC Contract or (ii) December 1, 2001, shall be the lesser of (x) 105% or (y) the percentage of the EPC Contract guaranteed heat rate then achieved by the EPC Contractor during the EPC Contract net heat rate test as of the Commercial Operation Date. Thereafter, the Performance Completion Factor shall be 1.

DF = Degradation Factor, which shall be 1.015.
HHV = Higher heating value of fuel (Per Applicable ASME PTC), Btu/lb.

Actual Heat Rate. The Actual Heat Rate for the Project shall be determined by a test which shall be conducted within twenty (20) Days after the end of the first six months of the Delivery Term. During the test, the Project will be operated in accordance with normal operating procedures. Each such test will be conducted for a period of four (4) hours at full load. Buyer shall be required to Schedule Energy during the test at a rate equal to 50% of the Project Capacity. The as-tested Actual Heat Rate will be determined based on the following relationship:

$$AHR = \frac{W \times HHV}{kW}$$

WHERE:

AHR = Actual Heat Rate, Btu/kWh HHV.
W = Fuel flow (per applicable ASME PTC), lb/h.
kW = Average hourly as-tested net electrical output.

The fuel consumption of the Project shall be directly measured in accordance with the applicable ASME Power Test Codes.

After the as-tested values are determined, corrections to net electrical output and as-tested Actual Heat Rate will be performed to adjust for the difference between actual ambient temperatures and humidity during the test and the guarantee point ambient temperature and humidity set forth above by using the correction curves developed by the EPC Contractor for determining whether the Project meets the heat rate guarantees in the EPC Contract.

Seller shall be entitled to schedule additional heat rate tests if an outage occurs during a heat rate test or the results of the heat rate test are otherwise determined by Seller to be unsatisfactory and the results of such additional test shall supercede such previous test.

Seller shall develop more detailed procedures for the heat rate tests.

Additional Fuel Costs – Guaranteed Heat Rate. If the Actual Heat Rate during the test conducted approximately six Months after the Commercial Operation Date, as corrected for ambient temperature and humidity, is greater than the Guaranteed Heat Rate, then Seller shall pay to Buyer, within thirty (30) Days of the test, the Additional Fuel Costs computed on the basis of the following formula:

$$P = FC * \frac{PHRC}{GHR}$$

WHERE:

P = Additional Fuel Costs due to Buyer from Seller.

FC = Fuel Cost in dollars, which shall be equal to the sum of the Daily Fuel Costs for each Day during the first six months of the first Contract Year. "Daily Fuel Costs" means, for any Day, the sum of (A) the product of (i) Buyer's Fuel Supply Requirement for such Day (in MMBtu) and (ii) the sum of (A) the Fuel Index (in $/MMBtu) for such Day and (B) $.015/MMBtu.

PHRC = Actual Heat Rate (in Btu/kWh HHV) minus Guaranteed Heat Rate (in Btu/kWh HHV). For purposes of calculating the Additional Fuel Costs, PHRC shall not be less than zero.

GHR = Guaranteed Heat Rate (in Btu/KWh HHV).

Fuel Savings - Guaranteed Heat Rate. If the Actual Heat Rate during the test, as corrected for ambient temperature, is less than the Guaranteed Heat Rate, then Buyer shall pay to Seller, within thirty (30) Days of the test, the Fuel Savings computed on the basis of the following formula:

$$B = FC * \frac{BHRC}{GHR}$$

WHERE:

B = Fuel Savings due to Seller from Buyer.

BHRC = Guaranteed Heat Rate (in Btu/kWh HHV) minus the Actual Heat Rate (in Btu/kWh HHV). For purposes of calculating the Fuel Savings, BHRC shall not be less than zero.

EXHIBIT E

INTENTIONALLY OMITTED

EXHIBIT F
ADDRESSES

Notices to Seller:

Cordova Energy Company LLC
302 South 36th Street
Suite 400
Omaha, NE 68131
Phone: (402) 231-1584
Fax: (402) 231-1668
Attention: General Counsel

With a copy to (except for routine communications):

Cordova Energy Company LLC
666 Grand Avenue
Des Moines, IA 50309
Fax: (515) 242-4080
Attention: General Counsel

Notices to Buyer:

Formal Notices:

MidAmerican Energy Company
666 Grand Avenue
Des Moines, IA 50309
Fax: (515) 242-4080
Attention: General Counsel

With a copy to (except for routine communications):

MidAmerican Energy Company
666 Grand Avenue
Des Moines, IA 50309
Fax: (515) 242-4038
Attention: President

Operational Notices:

MidAmerican Energy Company
4299 Northwest Urbandale Drive
Urbandale, IA 50322-7298
Attention: Vice President – Electric Trading
Phone: (515) 252-6429
Fax: (515) 252-6410

EXHIBIT G
MONTHLY NET CAPABILITY

1. Monthly Net Capability. For each Contract Year during the Delivery Term, the Monthly Net Capability for each Month shall be the determined on the basis of an annual Capacity Test in accordance with this Section 1; provided, however, for purposes of Section 5.3 of the Agreement, the Monthly Net Capability shall be adjusted for variances in temperature as set forth in Section 2 below.

Any Capacity Test shall be conducted at a time proposed by Seller, subject to the consent of Buyer which shall not be unreasonably withheld or delayed. Buyer shall be entitled to be present during the conduct of a Capacity Test.

Each Capacity Test shall be conducted for a period of four (4) hours at full load. Buyer shall be required to Schedule Energy during the test at a rate equal to 50% of the expected Project Capacity as estimated by Seller.

The average hourly net electrical output of the Project will be determined for the period of the Capacity Test. After this value is determined, the maximum Monthly Net Capability for each Month of such Contract Year will be determined by adjusting this value for the difference between actual ambient temperatures, barometric pressures and relative humidity during the Capacity Test and the Temperature Basis for the Month as provided in Table G-1 below by using the correction curves developed by the EPC Contractor for determining whether the Project meets the net electrical output guarantees under the EPC Contract (and, if necessary, shall be adjusted for any limitation on output resulting from application of the "Maximum Hourly Quantity" of Fuel permitted under the Gas Distribution Agreement). The Monthly Net Capability will then be determined by Seller by designating a level for each Month between 98% and 100% of the maximum Monthly Net Capability as determined above (which percentage shall be the same for each Month of a given Contract Year unless the Parties otherwise agree in writing).

After the first Contract Year, Seller shall establish new correction curves based on actual experience to replace the correction curves from the EPC Contractor.

Seller shall be entitled to schedule additional Capacity Tests (i) if an outage occurs during a Capacity Test or the results of the Capacity Test are otherwise determined by Seller to be unsatisfactory, or (ii) during the first Contract Year, if Seller believes that the Project can achieve higher capacity levels than achieved during the Capacity Test used for the Monthly Net Capability levels then in effect.

During a Capacity Test, the Project will be operated in accordance with normal operating procedures. Except as otherwise provided herein, the Capacity Tests shall be conducted in accordance with the MAPP Uniform Rating of Generation Equipment test procedures as in effect on the Effective Date. Seller shall develop more detailed procedures for the Capacity Tests.

2. Adjustment for Availability Guarantees. For each Day during the Delivery Term, Seller shall determine the daily high temperature as reported by the National Weather Service reporting station at the Quad Cities Airport, Moline, Illinois (the "Daily High Temperature").

For purposes of Section 5.3 of the Agreement, the Monthly Net Capability for any Day shall be the Monthly Net Capability as determined pursuant to Section 1 above, as the case may be, adjusted for the difference between the Daily High Temperature for such Day and the Temperature Basis for the Month in which such Day occurs as provided in Table G-1 by using the correction curves developed by the EPC Contractor for determining whether the Project meets the net electrical output guarantees under the EPC Contract or the substitute correction curves developed by Seller in accordance with Section 1 above, as the case may be.

Seller shall develop more detailed procedures for the adjustments contemplated by this Section 2. The Parties may agree in writing to suspend the use of the temperature adjustment of this Section 2.

3. Table G-1. Table G-1 below contains the Temperature Basis as used in Sections 1 or 2 above and the MNC used for Section 3.2 of the Agreement.

TABLE G-1

	Temperature Basis	MNC
Month	(Deg. F)	(MW)
January	20	576
February	25	573
March	37	564
April	49	552
May	86	506
June	93	499
July	94	498
August	92	500
September	88	505
October	81	512
November	30	570
December	20	576

EXHIBIT H
PLANNED OUTAGES

No later than December 15 of each Calendar Year, commencing with the Calendar Year immediately prior to the Calendar Year in which the Commercial Operation Date is expected to occur, Seller shall deliver to Buyer a written schedule for Planned Outages during the next succeeding Calendar Year. In preparing this schedule:

(i) Seller shall use reasonable efforts to establish a schedule that is in accordance with Prudent Industry Practice; and

(ii) Seller shall consult with Buyer regarding Seller's proposed schedule and shall use reasonable efforts to accommodate Buyer's requests to adjust the schedule in accordance with Buyer's suggestions; provided that Seller shall not be required to so adjust the schedule if Seller reasonably determines that such adjustment would have an adverse effect on the Project, Seller or the Project operator or be inconsistent with Prudent Industry Practice; and provided further, Buyer acknowledges and agrees that Seller may also endeavor to accommodate the requests of Seller's other customers which may limit Seller's ability to accommodate Buyer's request.

Following the delivery of the schedule for a Calendar Year, as described above, if Seller determines that it is necessary to modify the schedule, Seller shall promptly notify Buyer in writing. If Buyer requests adjustments to such modified schedule, Seller shall use reasonable efforts to accommodate Buyer's requests to adjust the schedule in accordance with Buyer's suggestions, provided that Seller shall not be required to so adjust the schedule if Seller reasonably determines that such adjustment would have an adverse effect on the Project, Seller or the Project operator or be inconsistent with Prudent Industry Practice; and provided further, Buyer acknowledges and agrees that Seller may also endeavor to accommodate the requests of Seller's other customers which may limit Seller's ability to accommodate Buyer's request. Notwithstanding anything to the contrary, no Planned Outages shall be scheduled or performed during the period of May 15 through September 15 of each Calendar Year without the prior consent of Buyer.

The Parties recognize that the expected duration of a Planned Outage may be subject to change based upon circumstances that occur or are discovered during the course of the Planned Outage. Seller shall keep Buyer periodically informed as to the status and expected duration of any Planned Outage.

Seller shall provide such information as Buyer may reasonably request from time to time as to the then current schedule and expected duration of Planned Outages.

Seller agrees that for purposes of Section 5.3(b) of the Agreement, periods of Planned Outages for a Combustion Inspection, Hot Gas Path Inspections and Major Maintenance Overhauls will not be excluded from availability calculations to the extent such periods exceed 8 Days, 16 Days and 25 Days, respectively, except to the extent that the Independent Engineer for the Financing Parties determines that such additional time is required to conduct such Planned Outage in accordance with Prudent Industry Practice or to the extent that such time is reasonably required to

conduct work that is not customarily a part of such Planned Outage. As used above, the terms "Combustion Inspection", "Hot Gas Path Inspection", and "Major Maintenance Overhaul" refer to the Planned Outages of those types specified by the manufacturer of the combustion turbine/generators for the Project.

EXHIBIT I
INSURANCE

Seller shall maintain insurance as is generally carried by companies engaged in similar businesses and owning similar properties in the same general areas and financed in a similar manner (the "Industry Standard"). Seller shall not materially reduce insurance coverages without obtaining confirmation from the insurance consultant for the Financing Parties or another insurance consultant reasonably acceptable to Buyer that the revised program is in material accordance with the Industry Standard. Subject to any contrary requirements under the financing documents for the Project, Seller shall use the proceeds of its property insurance to repair or rebuild the Project following damage or loss to the Project that gives rise to the insurance proceeds (except to the extent such repair or rebuilding is accomplished without use of such proceeds).

EXHIBIT J
GOVERNMENTAL APPROVALS

1. The Iowa Utilities Board having made the specific determinations pursuant to Section 32(k) of the federal Public Utility Holding Company Act.

2. The Illinois Commerce Commission having made the specific determinations pursuant to Section 32(k) of the federal Public Utility Holding Company Act.

3. The South Dakota Public Utilities Commission having made the specific determinations pursuant to under Section 32(k) of the federal Public Utility Holding Company Act.

4. Approval of the Agreement by the Illinois Commerce Commission under Section 7-101(3) of the Illinois Public Utilities Act.

5. Approval of the Agreement by the Iowa Utilities Board ("IUB") pursuant to the requirements of IUB Docket SPU98-8.

6. Approval of the Agreement by the Federal Energy Regulatory Commission under Sections 205 and 214 of the Federal Power Act.

See Volume 2. This exhibit is subject to a request for designation as confidential under Rule 20:10:01:39-42.

STATE OF SOUTH DAKOTA

BEFORE THE PUBLIC UTILITIES COMMISSION

MidAmerican Energy Company	:	
	:	**DOCKET NO. _____**
Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act	:	**APPLICATION FOR DETERMINATIONS**

AFFIDAVIT OF JAMES ALBERT FLORES

STATE OF NEBRASKA)
) ss.
COUNTY OF DOUGLAS)

I, James Albert Flores, being first duly sworn on oath, depose and state that I am Vice President, Project Finance, of Cordova Energy Company LLC, hereinafter referred to as CEC. I am authorized to make this affidavit on behalf CEC and CEC will be bound by the commitments made herein; and, in regard to the Power Purchase Agreement proposed to be entered into by MidAmerican Energy Company with CEC as set forth in the Application and supporting testimony filed in the above captioned proceeding, CEC will provide the South Dakota Public Utilities Commission with access to the books and records of CEC to the full extent necessary to enable the South Dakota Public Utilities Commission to exercise its duties under Section 32(k)(2)(A) of the Public Utility Holding Company Act.

James Albert Flores

Subscribed and sworn to before me,
a Notary Public in and for said County
and State, this 31st day of January, 2000.

Gloria F. Erickson
Notary Public

GENERAL NOTARY State of Nebraska
GLORIA F. ERICKSON
My Comm. Exp. Aug. 15, 2001

STATE OF SOUTH DAKOTA

BEFORE THE PUBLIC UTILITIES COMMISSION

MidAmerican Energy Company	:	
	:	**DOCKET NO. _____**
Application for Determinations Pursuant	:	
to Section 32(k)(2)(A) of the Public Utility	:	**APPLICATION FOR**
Holding Company Act	:	**DETERMINATIONS**

AFFIDAVIT OF
WILLIAM E. TURNBULL

STATE OF IOWA	)	
	)	ss.
COUNTY OF POLK	)	

I, William E. Turnbull, being first duly sworn on oath, depose and state that I am the same William E. Turnbull identified in the following Direct Testimony; that I have caused the following Direct Testimony, including any Exhibits, to be prepared and am familiar with the contents thereof; and that the following Direct Testimony, including any Exhibits, are true and correct to the best of my knowledge and belief as of the date of this Affidavit.

William E. Turnbull

Subscribed and sworn to before me,
a Notary Public in and for said County
and State, this 21st day of February, 2000.

Linda A. Cook
Notary Public

NOTARIAL SEAL IOWA
LINDA A. COOK
MY COMMISSION EXPIRES
6/28/02

STATE OF SOUTH DAKOTA

BEFORE THE PUBLIC UTILITIES COMMISSION

MidAmerican Energy Company	:	
	:	**DOCKET NO. _____**
Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act	:	**APPLICATION FOR DETERMINATIONS**

DIRECT TESTIMONY OF WILLIAM E. TURNBULL

Q. Please state your name and business address.

A. William E. Turnbull. My business address is 4299 Northwest Urbandale Drive, Urbandale, Iowa 50322-7298.

Q. By whom are you employed and in what capacity.

A. I am employed by MidAmerican Energy Company (MidAmerican) as a Long Term Trader.

Q. What is your educational and employment experience?

A. After graduation from Iowa State University in 1990 with a Bachelor of Science degree in Electrical Engineering with a minor in Business Administration, I was employed by Iowa Electric Light and Power (Iowa Electric) for approximately four years as an engineer working specifically on nuclear projects at the Duane Arnold Energy Center.

I joined Midwest Power Systems Inc. (Midwest Power) in April of 1994 as a Nuclear Administration and Resource Planning Engineer. My responsibilities were divided between performing electric utility production cost evaluations for various departments within Midwest Power, and the monitoring of operation and construction

activities at Cooper Nuclear Station (CNS). As part of my Resource Planning responsibilities, I evaluated several different short-term sales and purchases from third parties, various plant modifications, interacted with several other individuals on other Resource Planning related activities, and performed the production cost modeling to support the merger between Midwest Power and Iowa-Illinois Gas and Electric Company (Iowa-Illinois).

In September 1995, after the merger of Midwest Power and Iowa-Illinois, I accepted the position of Senior Nuclear Engineer in the Nuclear group within MidAmerican. This position involved the monitoring of activities at CNS and Quad Cities Nuclear Power Station. In addition to my other responsibilities, I began working on the request for proposal (RFP) in May 1999 for MidAmerican's Long Term Trading group. In September 1999, I transferred to a position as a Long Term Trader in the Electric Trading group.

Q. Please describe your responsibilities as a Long Term Trader.

A. I am responsible for trading long-term (one year or more) physical energy and capacity for MidAmerican in the MAPP, MAIN, SPP and ECAR regions, negotiating new agreements with wholesale buyers and sellers of energy and capacity and performing marketing functions with new wholesale customers in the MAPP, MAIN, SPP and ECAR regions. In addition, I work with a Financial Trader for MidAmerican in the trading of financial products such as electricity futures, over-the-counter products and weather derivatives and the negotiation of new contracts with representatives of other entities involved in financial trading. I also have

responsibility for negotiating new supply contracts with other energy suppliers or developers, completing requests for proposals for capacity and energy supply on an as-needed basis, and responding to requests for proposals for capacity and energy on behalf of MidAmerican.

Purpose of Direct Testimony

Q. What is the purpose of your direct testimony in this proceeding?

A. I will discuss the request for proposal (RFP) process that led up to MidAmerican's decision to enter into the Power Purchase Agreement (PPA) between Cordova Energy Company LLC (CEC) and MidAmerican and the prices, terms and conditions of the PPA.

The RFP process

Q. What was your role in regard to the RFP process and negotiation of the PPA?

A. My role in the RFP process was to review and understand the resulting proposals received, to evaluate those proposals, to rank the proposals, and to select and recommend the best proposal or proposals. Upon selection of the finalists, I was part of a team that negotiated the final contract terms.

Q. Was anyone from CEC involved in developing the RFP or evaluating the responses received by MidAmerican to the RFP?

A. No. In addition, no information concerning the proposals by other parties was ever shared with anyone at CEC. In fact, CEC was never advised of the identity of the other bidders.

Q. Please discuss the commencement of the RFP process that led up to MidAmerican's decision to enter into the PPA.

A. The process began in April 1999 with preparation of an RFP that was mailed to more than 100 different entities (utilities, municipals, developers, and power marketers) on April 30, 1999 and May 1, 1999. A copy of the RFP as sent to those entities is provided with this testimony as MidAmerican Exhibit 2.1. MidAmerican requested responses to the RFP by June 2, 1999.

Q. Please discuss the responses received to the RFP.

A. MidAmerican received responses from 12 entities, some with multiple options. The responses were divided into three categories – Peaking, Combined Cycle (CCCT), and Other – based upon the energy type. The proposals for each category are listed below.

Peaking Proposals

- Bidder A - CTs 25 MW
- Bidder B - Energy at market 700 MW
- Bidder C - Energy at market 400 MW
- Bidder D - CTs 200 MW

CCCT Proposals

- Bidder E 300 MW
- Bidder F 400 MW
- CEC 170 MW
- Bidder G 700 MW
- Bidder H 260 MW
- Bidder I 500 MW
- Bidder J 300 MW

Other Proposals

- Bidder I
- Bidder K

Q. You have referred to these bidders as "Bidder A," "Bidder B," and so forth. Have you identified these bidders by name?

A. Yes. They are identified on MidAmerican Exhibit 2.2 which I am sponsoring.

Q. In your listing of the proposals received, you refer to "CTs." Please explain this term.

A. CTs is an abbreviation for combustion turbines.

Q. You also referred to "energy at market." Please explain that term.

A. The term "energy at market" simply means that the price of the energy will not be determined until the time that the purchaser calls upon the energy for delivery and at that time the seller can set the energy price to be whatever the market will bear.

Q. Please discuss the analysis phase of the RFP process.

A. The proposals in each category were compared with the other proposals, MidAmerican's generation build options, and anticipated forward market prices.

Q. Before proceeding, please explain the term "anticipated forward market prices."

A. The term "anticipated forward market prices" refers to the Putnam Hayes and Bartlett (PHB) modeled future spot market prices, MidAmerican's internal projection of future Cinergy hub prices, or some combination of MidAmerican's internal projection of future Cinergy hub prices and PHB modeled future spot market prices. As I discuss the evaluation of the proposals, I will explain these terms.

Q. Please discuss the comparison of the proposals.

A. In order to make these comparisons the following assumptions were developed:

- CCCTs were assumed to run at a 50% capacity factor
  - ⇒ Determined by the use of a dispatch model.
- CTs were assumed to run at a 5% capacity factor
  - ⇒ Based upon current use of MidAmerican CTs; however, dispatch model results were 3%.
- Monthly, locational gas prices were received from MidAmerican's Gas Supply and Trading group for the year 2000. These monthly prices were converted to an annual price by using a monthly weighted average.

- Applying Standard & Poor's DRI utility price index to the year 2000 gas prices supplied by the Gas Supply and Trading group generated natural gas prices for 2001 through 2006.
- MidAmerican's weighted average cost of capital was assumed at an after-tax rate.
- A discount rate was used (see Exhibit 2.3).
- Additional transmission costs were included to adjust the delivery location when required.
- An equity charge was assessed to all purchase proposals.
- MidAmerican's Market Assessment group supplied several build options ranging from 80 MW to 500 MW. A 160 MW CT was selected for the combustion turbine, or peaking, comparison and a 500 MW CCCT was selected for the combined cycle comparison.

Q. What were the before tax and after tax rates used for MidAmerican's weighted average cost of capital?

A. These rates are shown in MidAmerican Exhibit 2.3 which I am sponsoring.

Q. What discount rate was used?

A. This information is shown on MidAmerican Exhibit 2.3.

Q. Why was an equity charge assessed to all purchase proposals?

A. The equity charge was based on the concept that, like capital leases, the financial community would consider a portion of the annual fixed (demand) costs as debt. The equity charge was calculated by imputing the amount of equity that would be needed to return the implied capitalization structure of the utility back to 50% debt/50% equity coupled with the incremental cost of equity compared to long-term debt.

Q. In your last answer, you referred to the "implied capital structure of the utility." What do you mean by "implied capital structure" and does the reference to "utility" mean MidAmerican Energy Company?

A. Implied capital structure refers to the financial community's perspective on MidAmerican's capital structure, with a portion of the annual fixed costs viewed as additional debt. The reference to "utility" means MidAmerican Energy Company.

Q. Please explain why you selected a 160 MW CT and a 500 MW CCCT for comparison purposes.

A. MidAmerican has a need for intermediate and peaking generation. The 160 MW CT was the most cost-effective choice for peaking generation and the 500 MW CCCT was the most cost-effective choice for intermediate generation based upon their respective heat rates and installed costs per kilowatt of the MidAmerican build options evaluated.

Q. Please continue your discussion of the analysis phase of the RFP process.

A. Next, the following positive aspects of each proposal were identified:

- CEC – delivery capability to MAPP or MAIN; available in 2001; and low heat rate.
- Bidder F – available in 2000.
- Bidder E – unit in MAIN; available in 2001; and fixed heat rate.
- Bidder G – design reduces unavailability.
- Bidder I – offered base load capacity and energy until CCCT project is on line.

During the process of analyzing the various proposals, telephone calls were made during the period from June 7, 1999 to June 23, 1999 to each respondent to clarify information and obtain additional information for modeling purposes. Graphs depicting the analyses are included with this testimony as MidAmerican Exhibit 2.4.

The peaking proposals compared as follows:

Rank #1 Bidder D – available 2000; high demand charge would mean a need to negotiate a lower rate.

Rank #2 Bidder A (25 MW) – available 2000; good relationship already exists; heat rate of 15,000 Btu/kWh;

Rank #3 Bidder B – low demand charge; energy at market or mandatory 5 x 16 at $77/MWh.

Rank #4 Bidder C – very low demand charge; energy at market; and MAPP accreditation questionable.

Q. Please explain the term "mandatory 5 x 16."

A. This term means that for each of the 16 on-peak hours for the five weekdays of each week, the buyer would have to purchase the energy at a certain price.

Q. Please continue by discussing the comparison of the CCCT proposals.

A. The CCCT proposals compared as follows:

Rank #1 Bidder F – available 2000; good heat rate, good price; financially firm energy; mandatory 5 x 16.

Rank #2 CEC – available 2001; best heat rate proposed; strategic location for MAPP/MAIN delivery; quantity election as late as September of prior year.

Rank #3 Bidder E – available 2001; located in MAIN.

Rank #4 Bidder G – unit 20 to 32 months in the future; proposed heat rate higher than most other CCCT proposals.

Rank #5 Bidder H – not available until 2002; 10-year contract.

Rank #6 Bidder J – available 2000; poor heat rate of 9,000 Btu/kWh; moderate demand charge.

Rank #7 Bidder I – available 2000; base load capacity and energy until CCCT operational, but no real proposal other than they will beat any other offer.

Q. What does "unit 20 to 32 months in the future" mean?

A. It means that Bidder G would construct a unit at a MidAmerican-specified location and the construction would take 20 to 32 months before the unit would be on-line and producing energy.

Q. Please discuss the next step in the analysis phase of the RFP process.

A. After the ranking was completed, telephone calls were made during the week of June 28, 1999 to the various entities for further clarification of the proposals. During these calls, the following information was obtained that eliminated various proposals from further consideration and improved others:

- Bidder D – Bidder D did not intend to supply MAPP-accredited capacity and would supply only energy.
- Bidder F – Even though the proposal was structured as a physical unit, Bidder F only intended to supply energy from the financial markets and may never build a physical unit. MAPP will not accredit financial energy options as capacity.
- Bidder B – Bidder B did not intend to supply MAPP-accredited capacity and would supply only energy.

- Bidder J – MidAmerican explained that Bidder J's proposal did not fit in either a peaking or CCCT category, and that it was not competitive in either category. They asked to submit a new proposal and did so.

Following these phone conversations the proposals were re-evaluated and ranked once again in mid-July 1999. The revised ranking of the peaking proposals was as follows:

Rank #1 Bidder J – available 2000; heat rate of 11,000 Btu/kWh; location is strategic to MAIN; and demand charge is high, but cost per MWh is lower.

Rank #2 Bidder A (25 MW) – available 2000; good relationship already exists; heat rate of 15,000 Btu/kWh;

Rank #3 Bidder C – very low demand charge; energy at market; and MAPP accreditation questionable.

The revised ranking of the CCCT proposals was as follows:

Rank #1 Bidder J – available 2000; strategic delivery location to MAIN; heat rate is a guaranteed flat 7,200 Btu/kWh; and no startup costs.

Rank #2 CEC – available 2001; best heat rate proposed; strategic location for MAPP/MAIN delivery; quantity election as late as September 1 of the prior year.

Rank #3 Bidder E – available 2001; located in MAIN.

Rank #4 Bidder G – unit 20 to 32 months in the future; proposed heat rate higher than most other CCCT proposals.

From these rankings, the following short list of proposals was developed to begin negotiations:

- Bidder J - CCCT
- CEC - CCCT
- Bidder E - CCCT
- Bidder A - CT

Q. Please discuss MidAmerican's negotiations with these entities, beginning with Bidder E.

A. Face-to-face meetings were scheduled and held with each company in addition to phone conversations, faxes, and e-mails. During a face-to-face meeting held on July 19, 1999, Bidder E indicated that it could make MidAmerican a much better proposal based on cost if MidAmerican purchased the capacity of an entire unit. MidAmerican responded that 200 MW would be consistent with its needs. A short time later, Bidder E provided a new proposal in which the cost had increased rather than decreased as indicated during the face-to-face meeting. When asked for an explanation, Bidder E representatives replied they had surveyed the market and believed that their unit would be one of only a few to actually come on-line in the near future and that increased the market value of their project. The basic points of MidAmerican's evaluation of Bidder E's new proposal were:

- Start date of May 1, 2001, guaranteed by capacity from a CT to be replaced by CCCT when on-line.
- Contract term of three years to ten years.
- Strategic delivery location to MAIN.
- Heat rate is a guaranteed 7,400 Btu/kWh.

- Need provision for altered demand charge if CCCT is on-line late.
- Transmission will be required for MAPP accreditation.

Q. Please discuss MidAmerican's initial negotiations with its affiliate, CEC.

A. A face-to-face meeting was held on July 16, 1999, at which CEC increased the demand charge by $0.50/kW-month because CEC was required to pay this amount under a buy-back provision in its contract with another wholesale customer. The basic points of MidAmerican's evaluation of the CEC proposal were:

- Start date of June 1, 2001 not guaranteed, but will accept late charge against future demand charges.
- Strategic delivery location to MAPP or MAIN.
- Contract term of five years.
- Heat rate is estimated to be 6,800 ISO[1] Btu/kWh or 7,045 Btu/kWh at 95 degrees Fahrenheit, but actual will be used.
- Startup and heat rate are split between CEC wholesale customers.
- Startup, operation and maintenance costs to be priced at CEC cost.

Q. Please discuss MidAmerican's negotiations with Bidder A.

A. Bidder A accepted the terms that MidAmerican proposed after the face-to-face meeting on July 28, 1999 and MidAmerican began to draft a contract. The basic point of the terms proposed by MidAmerican were as follows:

- Start date of June 2000 guaranteed by the fact it should be accredited late during Fall 1999.
- Heat rate is 15,500 Btu/kWh.
- Demand charge is seasonally based.

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1 International Standards Organization.

- Located within MidAmerican's control area.
- Flat demand charge of $36/kW MAPP Summer Season.
- Contract term is six years with a three-year termination clause.
- Energy available whenever called upon.

Q. How did MidAmerican's negotiations with Bidder A conclude?

A. MidAmerican sent Bidder A a draft contract, and Bidder A and MidAmerican have exchanged minor editorial comments. The contract is currently awaiting execution by Bidder A.

Q. Is it MidAmerican's intention to enter into a contract with Bidder A as well as the PPA with CEC?

A. Yes. Due to the small quantity and limited economic energy capability, the Bidder A proposal is insufficient to fulfill the objectives of the RFP. However, the price, terms, and location of the Bidder A proposal warranted the purchase regardless of the PPA with CEC, or for that matter, any of the other RFP proposals received. Since July 1999, MidAmerican has been pursuing a dual path with Bidder A and with one of the CCCT proposals.

Q. Please continue your discussion of MidAmerican's initial negotiations.

A. Since Bidder J's proposal was very new there were no revisions to it during the face-to-face meeting held on July 26, 1999. The basic terms of the Bidder J proposal for a CT product or CCCT product were:

- Start Date of June 1, 2000, guaranteed by a capacity contract with a third party.
- Strategic delivery location to MAIN.
- Heat Rate is a guaranteed flat 11,000 Btu/kWh for the CT or 7,200 Btu/kWh for the CCCT.

- Bidder J would build the unit to supply capacity requirements beyond 2000.
- 100% availability, financially firm energy with liquidated damages provision.
- Available year around.
- Off-peak or emergency energy at market.

Q. Was a comparison of the revised CCCT proposals performed by MidAmerican?

A. Yes. A comparison of the revised proposals was performed with Bidder J being ranked first. On July 28, 1999, MidAmerican informed Bidder J that we wished to enter into contract negotiations with them and informed Bidder E and CEC that we were entering into contract negotiations with another party. We also advised Bidder E and CEC that we would keep them in mind if contract terms could not be reached or additional capacity was needed.

Q. Please discuss MidAmerican's negotiations with Bidder J at this point.

A. Bidder J began by sending a draft agreement and other draft documents. After several phone calls and e-mails, with Bidder J, on MAPP accreditation and the amount of capacity they could provide, Bidder J sent MidAmerican a new term sheet on August 18, 1999 for the CCCT product. This term sheet indicated a much higher demand charge than Bidder J's prior offer. A face-to-face meeting was scheduled to work through the issues and to get back to the original price which Bidder J assured us would be possible. During the meeting, we discussed the issues and the reason for the price increase. Bidder J explained that there had been a dramatic increase in the energy and capacity markets since making its proposal, but it was working toward returning to the original price. During our negotiations, we discussed other issues. MidAmerican agreed to acquire the transmission necessary for the contract and compromised on a few other small provisions. Bidder J said it would provide

MidAmerican with a new, lower-priced proposal. However, when the new proposal arrived on September 1, 1999, it was even higher than the previous one.

Q. Why wasn't Bidder J bound by its prior offer?

A. MidAmerican's RFP letter requested that proposals remain valid through August 16, 1999, and Bidder J's new proposal arrived on September 1, 1999 – beyond the August 16 deadline. MidAmerican believed that since it had accepted the prior proposal and was involved in contract negotiations that Bidder J would continue to honor its proposal. Bidder J, however, asserted that its prior proposal was clearly marked that it was a non-binding proposal for discussion purposes only. Several of the other proposals were similarly marked.

Q. What was MidAmerican's next negotiation step?

A. As a result of the new Bidder J proposal, MidAmerican contacted Bidder E and CEC on September 3, 1999 to determine the availability and prices of their original proposals. Bidder E indicated that it had energy and capacity from its project and could do better than its last bid. CEC responded that it still had energy and capacity on the terms of its last proposal.

At this point, MidAmerican notified Bidder J that both of the other short-listed proposals were better than Bidder J's current proposal and MidAmerican intended to work with the other parties. MidAmerican sent a fill-in-the-blank term sheet to both Bidder E and CEC on September 16, 1999 requesting responses by October 4, 1999. Bidder E replied in a short time frame with a price that was even higher than its previous proposal. Once again, MidAmerican discussed this price increase with Bidder E and the reason was again the market value of a resource in short supply. Bidder E now believed that only their project and the CEC project would be

completed. Bidder E also indicated that this proposal was very conservative because it did not know if MidAmerican would just accept the proposal thereby creating a mutually binding obligation.

On October 4, 1999, CEC responded with a proposal that was essentially the same as before with a change to the demand escalation. CEC's demand charge was now a flat rate for five years.

Once again the proposals were compared and ranked. The CEC proposal was clearly the least-cost option when compared to Bidder E's proposal. MidAmerican informed Bidder E that they needed to provide a better price if MidAmerican were to consider its proposal. MidAmerican stated that it was working on another short-listed offer, the CEC offer. However, Bidder E was never told the names of the other parties being considered by MidAmerican. In the meantime, Bidder E called a couple of times and sent an e-mail asking for MidAmerican to submit a "take-it-or-leave-it" offer.

After the decision was made to negotiate with CEC, MidAmerican called Bidder E to advise that MidAmerican would not send Bidder E a "take-it-or-leave-it" offer, but would allow Bidder E to submit a revised proposal. Bidder E indicated that a new bid would be submitted. On Tuesday, November 2, 1999, MidAmerican called Bidder E to determine the status of the revised proposal since it was due on the prior day. Bidder E apologized for not calling to advise that it had decided not to submit a new bid.

Q. Did MidAmerican ever make Bidder E a "take-it-or-leave-it offer"?

A. Yes. MidAmerican determined it would make one last effort to have Bidder E submit a winning bid. MidAmerican prepared and sent to Bidder E on November 24, 1999 a

draft term sheet for the purchase of capacity and energy from them. This term sheet was prepared to ensure that Bidder E's proposal was not being disadvantaged because of the guarantees and fixed pricing it contained. The terms of Bidder E's proposal were changed to more closely match the unit participation terms and conditions of the CEC proposal. Bidder E was asked to respond if it believed that there was value to continued discussions by the end-of-business on Tuesday, November 30, 1999. During a subsequent phone discussion the following week, Bidder E responded that it could not accept the draft term sheet and that the gap between us was too large to warrant continued discussions.

Q. Did you or someone under your direction complete an economic analysis of the Bidder E and CEC proposals?

A. Yes. Economic analyses of both the Bidder E and CEC proposals were completed at the time.

Q. Have you provided a copy of the analyses with your testimony?

A. Yes. A copy of the analyses is provided as MidAmerican Exhibit 2.5.

Q. Please explain the analyses.

A. The analyses consisted of three components – Energy Revenue, Capacity Revenue, and System Contribution. The Energy Revenue section is the net revenue generated by selling the energy at market price less the cost of generation. The forward market prices for energy consisted of a mix of Cinergy hub forward prices and Putnam, Hayes and Bartlett (PHB) spot market estimates. In the early years (2001 through 2003), MidAmerican's projections of Cinergy hub based numbers were used while the PHB numbers were used in the later years (2004 through 2006). This mix of market projections was believed to be the best representation of future market prices. The

Cinergy hub market is a more accurate projection of near-term prices since energy is being traded for the next month to the next 18 months in this market. For the extended future, PHB prices were believed to better depict a deregulated energy market with unit additions and the marginal cost of production from those additional generation units. Sensitivities were run for PHB prices beginning in the year 2003 and running through 2006. Additionally, sensitivities have been completed for several other market projections. Each time the sensitivity analysis resulted in a higher net present value for CEC than for Bidder E.

The Capacity Revenue section calculates the net expense for capacity. The net expense was calculated by subtracting the market value of capacity from the annual demand charge for the unit. The market value of capacity was coordinated with the energy market. Thus the value of capacity in MAPP was used for the years 2001 through 2003, and the PHB capacity value was used for the years 2004 through 2006.

The last section, System Contribution, is an estimate of the value of the enhancement of MidAmerican's current generation by adding more intermediate capacity in the form of a CCCT unit to the MidAmerican portfolio, which has substantial base-load coal units. This value is derived through a better alignment of the generation portfolio with the daily and monthly customer and system load profile. A better match of the MidAmerican portfolio and the seasonal, weather-driven load permits more efficient operation of the assets. In summary, the base case net present value (NPV) of the CEC five-year proposal was $15.9 million compared to Bidder E's three-year proposal of $2.3 million. The sensitivities run for the future energy market being 90% of the base case resulted in an NPV of $3.9 million for CEC and a negative NPV of $3.3 million for Bidder E. The sensitivities run for the future energy market

being 110% of the base case resulted in an NPV of $30.4 million for CEC and an NPV of $7.9 million for Bidder E.

Q. In your preceding answer and earlier in your testimony, you referred to "Cinergy hub." Please explain what you mean by that term.

A. Cinergy hub is a market hub in which marketers, brokers and utilities trade on-peak energy for the next year to eighteen months in monthly or yearly increments. Trading at this hub occurs both on a NYMEX futures market and an over-the-counter market using brokers. MidAmerican's Electric Trading group developed an estimate of Cinergy prices beyond the next year to year and a half through 2003.

Q. Is the Cinergy hub considered "liquid" by traders?

A. Yes. The Cinergy hub is considered to be a liquid market for transactions of less than 12 months. However transactions more than 12 months in the future are less heavily traded than those under 12 months and therefore have less liquidity. Cinergy hub is the largest, most heavily traded, electric trading hub in the Eastern interconnect.

Q. Please explain the PHB spot market estimates.

A. PHB, under contract with MidAmerican, developed regional spot market clearing prices on an hourly basis using a computer model of generation in the region, with transmission limitations, and various future generation expansion plans taken into account.

Q. In regard to the economic analyses, please explain the significance of using market prices or market values in the Energy Revenue and Capacity Revenue sections.

A. Use of the future market prices in the economic analysis allowed MidAmerican to compare all the proposals with one another on a level playing field even though the

terms of individual proposals may have been slightly different. Additionally, it allowed MidAmerican to assess whether it should pursue any of the proposals or simply wait and make purchases from the market when required. This process resulted in MidAmerican being able to select the least-cost option from not only the individual proposals but also compared to the future market.

Q. After completing the economic analyses of the Bidder E and CEC proposals, did MidAmerican decide at this point to pursue contract negotiations with CEC?

A. Yes.

Q. What information was provided to CEC regarding MidAmerican's negotiations with other bidders, specifically Bidder J and Bidder E?

A. No information was provided to CEC in regard to MidAmerican's negotiations with any other bidder. As I stated earlier, CEC was never advised of the identity of the other bidders.

Q. Prior to commencing negotiations with CEC, did you or someone working under your supervision identify the risks associated with a medium-term participation power agreement with CEC?

A. Yes. Prior to commencing negotiations with CEC, these risks were identified and assessed. The risks as identified and our assessment follows:

1. During the period of the agreement, capacity and energy prices in the wholesale market may prove to be less than forecasted, making the purchase from CEC uneconomical. Sensitivity analysis around our market price forecasts indicate that if prices are 10% less than projected, the CEC purchase remains economical. However, the risk is much greater if MidAmerican does not purchase capacity and energy at

this time and the capacity and energy prices increase during the period of the agreement.

2. Poor performance of CEC during critical time periods (unit unavailable or derated during high energy price periods). MidAmerican should negotiate performance guarantees to help reduce this risk.

3. Load growth proves minimal and open access reduces MidAmerican's current load. Because this purchase agreement is for a five-year period (subsequently changed to 3 years), this risk is relatively small.

4. Changes in regional rules and requirements regarding capacity. Although it is unclear if MAPP's 15% capacity requirement and its Schedule B charge will continue in the future, we believe the industry will maintain some form of capacity reserve standards.

5. Obtaining approval of the contract with CEC from regulators due to applicable PUHCA and state affiliate transaction regulations. The RFP process will show that this transaction is in the best interests of MidAmerican's customers.

Q. Please summarize MidAmerican's negotiations with CEC leading up to finalizing the PPA which MidAmerican and CEC now propose to execute.

A. MidAmerican and CEC began contract negotiations with a face-to-face meeting on November 24, 1999. In the weeks following this meeting, discussions continued in order to expand the two-page CEC proposal into a complete contract, with exhibits. During the negotiations, MidAmerican focused primarily on the following issues:

- Terms and conditions of the contract so that MidAmerican would be able to get MAPP accreditation of the purchase.

- Gas supply terms and conditions since MidAmerican would supply its own natural gas to support the MidAmerican's share of generation from the CEC plant.
- Reduced payments if the commercial operation date of CEC's plant is later than June 1, 2001 along with a contract termination clause effective May 14, 2002, if the commercial operation date is later than October 31, 2001.
- Terms of a bonus or reduced capacity payments based upon the availability of the CEC plant.
- A three-year term instead of the original five-year term.
- The basis for the capacity amount that monthly demand charge would be applied to.

The resulting net present value of the three-year CEC contract was calculated to be $11.7 million compared to the Bidder E proposal at $2.3 million.

Prices, terms and conditions

Q. Please discuss the pricing under the PPA.

A. The demand charge or charge associated with the capacity of the project is $7.50 per kilowatt month ($90 per kilowatt year), non-escalated, and MidAmerican will purchase 50% of the monthly capacity of CEC's plant, except during the first year of the contract (June 1, 2001 through May 14, 2002), the annual demand charge will be unevenly distributed across the months. A heavier weighting was applied to the summer months compared to the other months of the first year so as to impose a charge more commensurate with the market value of energy and capacity if the commercial operation date of the CEC plant was later than June 1, 2001.

The cost of energy will be based upon a set cost per start-up and a set cost per hour of operation. Since MidAmerican will supply the natural gas to support its scheduled generation, the power purchase agreement does not include a fuel charge.

Q. Are these prices equal to, or less than, the prevailing market price for capacity and energy?

A. Based upon the proposals received in response to the RFP, CEC was the least- cost option compared to the other proposals and MidAmerican's projection of future market prices.

Q. Why was the length of the PPA term altered from CEC's original proposal of a five-year term?

A. The term of the contract was reduced through negotiations from five years (proposed as June 1, 2001 through May 31, 2006) to approximately three years (June 1, 2001 through May 14, 2004). This was done for two reasons: (1) to reduce the risk associated with the loss of, or reduction, in MAPP capacity value, and (2) three years is adequate time for MidAmerican to build its own unit if it does not elect to contract for additional capacity and energy rather than construct new generation. The commencement of the term may be moved to an earlier date at the option of CEC; however, MidAmerican is not required to pay a demand charge or any other charge related to capacity until June 1, 2001 or the date of commercial operation, if commercial operation occurs later than June 1, 2001.

Q. Was MAPP accreditation of the purchased CEC capacity an issue during the contract negotiations?

A. Yes. CEC placed the responsibility for obtaining MAPP accreditation of the purchased capacity on MidAmerican during the negotiations since CEC is not a

MAPP member. Additionally, the draft contract language initially proposed by CEC was not adequate in MidAmerican's opinion to allow for MAPP accreditation. MidAmerican negotiated modifications to this language that are believed to be sufficient to permit MAPP accreditation. MidAmerican also negotiated a contract provision that would allow for contract cancellation as late as July 20, 2000 if the MAPP accreditation subcommittee identifies a contract term or condition, during its review of the PPA, that would prohibit accreditation of the PPA capacity.

Q. Did MidAmerican negotiate any performance guarantees to help reduce the risk of poor performance of the CEC plant during critical time periods?

A. Yes. During the course of negotiations contract language was developed which requires a payment by CEC to MidAmerican if plant availability is below 96.5% during the summer months when the energy is most valuable. Likewise, a similar payment is required for the other months of the year if the plant's availability drops below 95.5%. In the case of extremely poor performance, such as an availability factor less than 80%, an additional payment to MidAmerican must be paid by CEC. In addition, CEC indicated that there was a margin-sharing mechanism with another wholesale customer that would also provide an incentive for CEC to operate and maintain the unit in a prudent manner.

Q. Did any other significant issues arise during MidAmerican's negotiations with CEC?

A. Yes. Early in the negotiations CEC indicated that MidAmerican could only purchase a percentage of the plant's capacity rather than a fixed amount of capacity. MidAmerican originally desired to purchase a fixed amount of capacity based upon the summer rating of the plant. MidAmerican discussed this with CEC on more than one occasion. CEC finally indicated that its contract provision with another wholesale

customer was for CEC to buy back a percentage of the plant's capacity, and to accommodate selling a fixed amount of capacity based upon the summer rating of the plant would require CEC to increase the monthly demand charge by 30%.

Q. Are the prices, terms and conditions of the PPA comparable to those that MidAmerican would have negotiated and agreed to enter into with a non-affiliated seller?

A. Yes. When taken as a whole, the PPA is comparable to a contract that MidAmerican would have negotiated and agreed to enter into with a non-affiliated seller of capacity and energy.

Q. Does this conclude your direct testimony at this time?

A. Yes.

MidAmerican ENERGY

MidAmerican Energy Company
666 Grand Avenue
P. O. Box 657
Des Moines, Iowa 50303-0657

April 30, 1999

Dear John:

Recently, MidAmerican Energy Company's ("MEC") affiliate, Cordova Energy Company L.L.C. committed to the development, construction, operation and ownership of a new 500 MW combined cycle unit near the Quad Cities. The Cordova Energy Company solicited bids for long-term sales from this unit. Because of the many interested parties and success of this solicitation, all of the output has been sold under long term agreements. MidAmerican Energy Company will not be purchasing any output from this unit directly during its initial years of operation.

Therefore, MidAmerican Energy Company is seeking proposals for power resources beginning in the summer of 2000 for a five or six year term. MidAmerican's potential capacity requirements, at this time, for 2000 through 2005 are as follows:

	POTENTIAL REQUIREMENTS SUMMER SEASON	
YEAR:	Minimum Purchase Range	Maximum Purchase Range
2000	100 – 150 MW	150 – 200 MW
2001	100 – 150 MW	150 – 200 MW
2002	150 – 300 MW	300 – 600 MW
2003	150 – 300 MW	300 – 600 MW
2004	200 – 400 MW	400 – 700 MW
2005	200 – 400 MW	400 – 700 MW

MidAmerican welcomes and will consider a wide assortment of responses, including but not limited to:

- Combustion turbines
- Summer peaking sales
- Demand-side measures
- Existing resource sales
- System participation
- Plant ownership
- Combined cycle units
- Call options
- Alternate energy
- New resource sales
- Unit participation
- Joint ownership

MidAmerican ENERGY

MidAmerican encourages proposals of at least 50 MW. However, MidAmerican will consider all reasonable proposals, regardless of technology, type of fuel, or size. Proposals may be made on a seasonal or year-round basis for any part of the resource needs listed above. MidAmerican will also consider a wide variety of purchase terms, from one season to the life of a unit.

All options will be evaluated based on the impact on MidAmerican's capacity requirements, especially during July and August. Each proposal must clearly identify the following:

1. The contact person in your organization responsible for answering questions regarding your bid proposal, their title, address (mailing, e-mail, and shipping), phone and fax numbers.

2. For each period of the proposal, the capacity price in dollars per kW-month and the energy price for each period in dollars per MWh. For any indexed terms, proposer shall furnish the above prices based on the most likely projection of the indexed terms. The proposer shall also provide assumed annual projections of each index and the source of each projection. All capacity prices and performance specifications shall be based on an ambient temperature of 95 degrees F.

3. A list of all terms and conditions that would apply to the proposal, including dispatch, delivery, or scheduling limitations; energy minimums and maximums; and other pertinent terms. If the proposal is for a specific unit or a group of units, please provide associated data, including plant location(s), interconnection facilities, performance data and guarantees, unit histories, and other related plant data. If the proposal involves plant construction, please specify the schedule for construction, along with required regulatory permits and the in-service date. If the proposal is for energy efficiency or other demand-side measures, please supply the market assessment of potential and other assumptions used to justify the proposal.

4. A detailed description of the proposed transmission service arrangements, if any, and the associated annual prices, including each ancillary service listed separately.

5. Details of any flexibility or uncertainty in proposed quantities, in-service dates, prices, or other proposal terms.

6. General information about your organization, including annual reports or audited financial statements and balance sheets for the last two years; current credit rating information; a list of all corporate and ownership relationships associated with the proposal; and the capital structure of owner(s) stated both in terms of dollars and in terms of embedded cost rate for debt and preferred before and after any proposed project is constructed.

MidAmerican
ENERGY
RELENTLESSLY AT YOUR SERVICE™

If you expect to submit a proposal, please fill out and fax the attached form ***by May 17***. This will ensure that you receive any subsequent information.

Proposals must be delivered or faxed to MidAmerican by 5:00 p.m. Central Standard Time ***on June 2, 1999***. Faxed proposals must be followed up by hard copy received within three (3) working days. Please submit five (5) copies of your proposal and any supporting information. Proposal evaluations and any further negotiations are expected to be completed by July 6, 1999. All proposals shall be valid through August 16, 1999.

Please submit your proposals to:

Steven C. Ryan
Senior Business Analyst
Electric Trading

Shipping Address:
3500 104th Street
Urbandale, IA 50322

Mailing Address:
666 Grand Avenue
P.O. Box 657
Des Moines, IA 50303-0657

Fax: (515) 252-6410

MidAmerican reserves the right in its sole discretion to accept or reject any, all, or portions of proposals; to accept other than the lowest cost proposal; to amend the structure and/or terms and conditions of this request for proposals; to effect a combination of proposals; to waive any technical non-compliance in any proposal; and to conduct further negotiations with any proposer. Nothing in this letter or any associated communication shall be taken as constituting a representation by MidAmerican or an offer or acceptance, or other legally binding arrangement or representation between MidAmerican and any other party. If you would like confidentiality for all or a portion of your submittal, please call and I will send you a Confidentiality Agreement for execution.

In submitting a proposal, you and MidAmerican agree that the proposal will be held and treated by each such party, its agents and employees in confidence and will not, without the consent of the other party, be disclosed in any manner, unless when advised by legal counsel that such disclosure is required by law.

If you have any questions, please contact me at (515) 281-2766 or by e-mail at sryan@midamerican.com.

Sincerely,

Steven C. Ryan
Senior Business Analyst
Electric Trading

EXHIBIT I

Notice of Receipt of RFP & Intent to Bid for Power Supply

The undersigned received the RFP on _____.
We have reviewed the RFP and do/do not intend to provide a bid.
(Please Circle One)

Company Name: _____
Contact Person: _____
Title/Position: _____
Shipping Address: _____
_____
Mailing Address: _____
_____
Telephone: _____
Fax: _____
E-mail address: _____

Legal name of actual party that will be bound by any resulting contract with MidAmerican, if different from above:

_____

Form Completed by: _____ **Phone:** _____
Signature: _____
Title: _____

Fax to: Steven C. Ryan MidAmerican Energy Co. (515) 252-6410 (fax)

MidAmerican Exhibit 2.2

See Volume 2. This exhibit is subject to a request for designation as confidential under Rule 20:10:01:39-42.

See Volume 2. This exhibit is subject to a request for designation as confidential under Rule 20:10:01:39-42.

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STATE OF SOUTH DAKOTA

BEFORE THE PUBLIC UTILITIES COMMISSION

MidAmerican Energy Company	:	
	:	**DOCKET NO. _____**
Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act	:	**APPLICATION FOR DETERMINATIONS**

AFFIDAVIT OF
ALAN S. TAYLOR

STATE OF COLORADO)
) ss.
COUNTY OF BOULDER)

I, Alan S. Taylor, being first duly sworn on oath, depose and state that I am the same Alan S. Taylor identified in the following Direct Testimony; that I have caused the following Direct Testimony, including any Exhibits, to be prepared and am familiar with the contents thereof; and that the following Direct Testimony, including any Exhibits, are true and correct to the best of my knowledge and belief as of the date of this Affidavit.

Alan S. Taylor

Subscribed and sworn to before me,
a Notary Public in and for said County
and State, this 25th day of February, 2000.

Michelle A. Ossola
Notary Public

My Commission Expires
June 10,2003

STATE OF SOUTH DAKOTA

BEFORE THE PUBLIC UTILITIES COMMISSION

MidAmerican Energy Company	:	
	:	**DOCKET NO. _____**
Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act	:	**APPLICATION FOR DETERMINATIONS**

DIRECT TESTIMONY OF ALAN TAYLOR

Q. Please state your name and business address.

A. My name is Alan S. Taylor. My business address is PHB Hagler Bailly, Inc. (Hagler Bailly), 1881 Ninth Street, Suite 302, Boulder, Colorado 80302.

Q. Who is your employer and what position do you hold?

A. I am employed by Hagler Bailly as a vice president in our Economics and Analytics practice.

Q. Please summarize your background and experience.

A. I received a Bachelor of Science Degree in Energy Engineering from the Massachusetts Institute of Technology. I received a Masters in Business Administration from the Haas School of Business at the University of California, Berkeley, where I specialized in Finance and graduated Valedictorian.

I began my career at Baltimore Gas & Electric Company, where I performed efficiency and environmental compliance testing on the utility system's power plants. I subsequently worked for five years as a senior consultant at Energy Management Associates (EMA, now New Energy Associates), training and assisting over two

dozen utilities in their use of EMA's operational and strategic planning models, PROMOD III and PROSCREEN II. After that, I worked at Pacific Gas & Electric Company, where I analyzed the utility's proposed demand-side management incentive ratemaking mechanism.

Since joining Hagler Bailly, I have spent the last eight years specializing in integrated resource planning, competitive bidding analysis, utility industry restructuring, market price forecasting, and asset valuation. I have testified before state commissions in proceedings involving resource solicitations, environmental surcharges, and fuel adjustment clauses.

My detailed resume is included as Attachment A.

Q. Please discuss your prior experiences in regard to competitive bidding solicitations.

A. I have managed or assisted in numerous competitive bidding solicitations for power supplies in California, Florida, Texas, Colorado, Minnesota, and Missouri. In several instances, affiliate transactions were contemplated or consummated. In these circumstances, my participation as an independent third-party evaluator helped assure regulators and bidders that a fair process was followed. I have performed economic evaluations of dozens of power proposals, reviewed numerous PPAs, and participated in several PPA negotiations.

Purpose and overview of direct testimony

Q. What is the purpose of your direct testimony in this proceeding?

A. MidAmerican Energy Company (MidAmerican) proposes to enter into a Power Purchase Agreement (PPA) with an affiliate, Cordova Energy Company LLC (CEC). Hagler Bailly was retained by MidAmerican to review the proposal solicitation and

selection process for purposes of providing an independent opinion as to the fairness and openness of the process and addressing issues relating to the PPA. Specifically, I will discuss why the PPA (i) will be beneficial to consumers, (ii) will not provide CEC with an unfair competitive advantage by virtue of its affiliation with MidAmerican, and (iii) is in the public interest. The PPA is included in MidAmerican Exhibit 1.1 to the direct testimony of Mark W. Roberts.

Q. Are you familiar with the prices, terms, and conditions of the PPA?

A. Yes. I have reviewed the PPA for its general terms and conditions and looked at the pricing and capacity terms in comparison to the values that were part of CEC's proposal.

Q. Is the PPA consistent with CEC's proposal?

A. Yes. The PPA is consistent with the proposal made by CEC. The specific capacity price is that which was included in the revised proposal provided by CEC on October 4, 1999. This proposal was determined to be MidAmerican's least-cost resource alternative, along with a small 25-MW peaking proposal from Bidder A.[1]

Q. What was your specific role in MidAmerican's solicitation?

A. As noted above, Hagler Bailly was retained by MidAmerican to review the overall process and the proposals received in the solicitation, render an independent opinion on the fairness of the solicitation process, and determine whether the outcome was fair. We were not involved in the preparation of the request for proposals, the evaluations of the bids, the selection of the winning bid, or the negotiation of the PPA.

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[1] See MidAmerican Exhibit 2.2 for bidder designations.

Q. What was the scope of your effort?

A. As part of the review process, the following activities were performed:

- interviewed MidAmerican personnel to understand the sequence of events;
- reviewed the proposals that MidAmerican received;
- reviewed internal documents that described the evaluation, presented the analyses, and described the negotiation process and progress;
- reviewed the written communication between MidAmerican and the bidders;
- reviewed MidAmerican's selection criteria;
- assessed the fairness of MidAmerican's solicitation and the appropriateness of its actions.

Q. What specific issues need to be considered when considering proposals from an affiliate?

A. There are several issues that are addressed in the Public Utility Holding Company Act (PUHCA). This Act was amended in 1992 to, among other things, stimulate the development of independent power production through exempt wholesale generators (EWGs). Congress gave to the states the task of making certain findings in regard to proposed power purchase agreements by electric utilities from affiliated EWGs to ensure that the proposed agreements were in the public interest. Specifically, an electric utility may enter into an agreement to purchase electric energy from an affiliated EWG if each state regulatory authority with jurisdiction over the rates of the utility can make the following determinations:

- the transaction will benefit consumers,
- the transaction does not violate any State law (including where applicable, least-cost planning),
- the transaction would not provide the exempt wholesale generator any unfair competitive advantage by virtue of its affiliation or association with the electric utility company, and
- the transaction is in the public interest.

Q. Please summarize your review of MidAmerican's solicitation process.

A. In order to confirm that MidAmerican's selection of the CEC and Bidder A proposals were the least-cost decisions, Hagler Bailly reviewed the various aspects of the solicitation process. This included the solicitation letter, the various analyses that were undertaken, the notes and correspondence with the bidders, and the resulting draft contracts that were associated with the solicitation.

Q. Did MidAmerican impose any restrictions on your access to materials relating to the bid process?

A. No. MidAmerican made available all of the information we required to perform our evaluation.

Q. Why was the review of the solicitation process necessary?

A. This effort was intended to identify whether any viable proposals had been rejected without valid justification and whether the solicitation/evaluation process was improperly biased towards any proposal.

Q. What were your findings?

A. Hagler Bailly determined that all disqualified proposals were eliminated from further consideration for appropriate reasons and that the solicitation/evaluation process was unbiased and resulted in the selection of the least-cost resources from the qualified proposals.

Proposal solicitation and selection process review

Q. Please summarize the general solicitation process.

A. MidAmerican issued a request for proposals (RFP) on April 30, 1999, soliciting resources to meet the utility's needs during the 2000 to 2005 period. Responses were due on June 2, 1999. The RFP was sent to over 100 potential suppliers, with 12 responding. After the initial evaluation of the responses, MidAmerican placed on the short list one combustion turbine proposal from Bidder A and three combined-cycle bidders — Bidder J, Bidder E, and CEC. These three combined-cycle bidders submitted revised offers in mid-July, and MidAmerican selected its finalist proposal (from Bidder J) on July 28, 1999. After Bidder J increased its proposal prices during the negotiations and refused to hold to the prices contained in its finalist proposal, MidAmerican terminated negotiations on September 3, 1999 and requested the two other short-listed bidders to submit updated offers by October 4, 1999. CEC was selected as the successful bidder in November 1999 and contract negotiations were begun late in that month.

Q. Please describe the Bidder A combustion turbine proposal.

A. The proposal from Bidder A was considered and accepted. Its proposal was for 25 MW of peaking capacity from combustion turbines; negotiations commenced in late

July 1999. Since the 25 MW from this project would only provide a small portion of MidAmerican's projected requirements, other resources needed to be acquired. The prices and terms offered by Bidder A were sufficiently attractive to warrant proceeding with negotiations regardless of which one of the combined cycle proposals was pursued or selected. Thus, MidAmerican's solicitation negotiations essentially moved ahead on two fronts. The Bidder A peaking capacity represented a resource that was desirable regardless of the other options being considered, while the negotiations for the combined cycle resource were expected to yield the major resource that would meet MidAmerican's needs.

Q. Looking at each stage of the process in more detail, let's focus first on the RFP. Please describe the RFP.

A. The letter RFP issued by MidAmerican initiated an all-source solicitation that invited, among other options, demand-side proposals, alternative energy resources, unit participation sales, and system sales. The letter indicated that MidAmerican would not be purchasing output directly from the CEC unit. This statement, coupled with the short time until the capacity was needed, should have reassured potential bidders that the solicitation reflected a sincere interest to acquire the requested capacity through the solicitation process. The letter requested specific information concerning capacity, price, transmission service, and terms and conditions for delivery. It did not require too much detail in bidders' proposals, thereby encouraging broad participation and providing bidders with sufficient flexibility in their responses to the RFP.

Q. Please briefly describe the evaluation criteria used by MidAmerican and give us your opinion as to whether they indicate any bias in favor of CEC.

A. MidAmerican used two primary evaluation criteria in evaluating proposals: firmness of capacity and overall economic value. Proposals that did not offer capacity that would meet the Mid-Continent Area Power Pool's (MAPP) accreditation requirements were disqualified. The remaining qualified proposals were evaluated on the basis of total cost to MidAmerican, delivered to MidAmerican's transmission system. I believe that the criteria that were used for screening and analysis were reasonable and did not reflect any bias toward CEC. The objective to minimize cost to MidAmerican, the regulated utility, resulted in a selection process that was entirely dependent upon each proposal's charges, terms, and conditions.

Q. Given your review of the solicitation process, please describe the analyses performed by MidAmerican in its evaluation of proposals.

A. The economic and financial analyses that were undertaken in June 1999 used the details of each proposal and allowed a comparison of those proposals. The analyses utilized the capacity cost, operating costs (including the cost of fuel), transmission expenses, and escalation parameters from each proposal. A dispatch analysis was performed to evaluate how each of the resource options would operate as part of MidAmerican's economically-dispatched system. The costs associated with each proposal were compared to the projected market clearing prices, to the other alternative proposals, and to theoretical self-build options.

Q. If MidAmerican was not planning to build significant new generation to meet capacity requirements, why was it reasonable for MidAmerican to include self-build options in the analyses?

A. The inclusion of the self-build options in the analyses was to ensure that the bids that were received did not result in unreasonably high costs of power from the new resources. The self-build options represented the costs that MidAmerican would have incurred were it able to build a combined cycle or combustion turbine facility for operation in the required time frame. These calculations represented benchmarks to establish the reasonableness of the proposals and were also used to assist MidAmerican in deciding whether to lengthen or shorten the period of delivery.

Q. Please describe the accreditation issue and its relevance to this solicitation.

A. One of the factors that led to the issuance of the RFP was the need for capacity by MidAmerican to meet the MAPP reserve requirements. Thus, MidAmerican wanted to be assured that the supply-side resources would be recognized by MAPP as being available to meet its reserve requirements.

Accreditable resources are resources that are recognized by MAPP as having the ability to provide a utility with dependable capacity to meet load. Accreditable resources include both generating resources owned by a utility, purchases from other MAPP pool participants, and purchases from other sources including cogenerators, independent power producers, and other electric suppliers. There are several accreditation conditions that must be satisfied for unit participation purchases and firm purchases from non-MAPP pool participants. These include identification of specific units for participation purchases, indication of surplus capability to meet load and reserve obligations for firm system sales, and transmission facilities adequate to deliver the purchased capacity. Firm transmission service is necessary for all

accredited purchases and is required to cover the entire path from the sources to the purchasing utility.

None of the bids were from MAPP pool participants for firm system service. Therefore, for MidAmerican to have any proposed purchase accredited by MAPP, it was necessary for the bidder to identify the resource(s) that would be providing the capacity. In addition, firm transmission capacity had to be provided to deliver the capacity if the resource(s) was not connected to MidAmerican's transmission system.

Q. In your opinion, was it appropriate for MidAmerican to reject proposals that did not provide MidAmerican with accreditable capacity?

A. Yes. It was appropriate for MidAmerican to reject those proposals that did not have any resources that could be identified as providing the required capacity or where there was no capacity being proposed by the bidder. These bids did not provide for MidAmerican's capacity requirements shown in the solicitation letter. In theory, MidAmerican could have engaged in a second contract to provide accreditable capacity to couple with the energy-only proposals. However, the costs would not have been competitive with the other proposals. Therefore, I believe that the rejection of bids that did not offer accreditable capacity was reasonable based upon both MidAmerican's requirements and the additional likely costs that would have been borne by MidAmerican for the required accreditable capacity.

Q. Did Hagler Bailly perform an independent review to validate MidAmerican's conclusion regarding a second contract to provide accreditable capacity?

A. Yes. We performed an analysis that showed that adding a second capacity-only contract to each of the disqualified proposals would increase their overall costs substantially above those of competing proposals.

Q. What else did MidAmerican do prior to the development of a short list?

A. MidAmerican phoned all bidders in June, 1999 to give them each an opportunity to clarify their bids and ask whether there was any potential to improve those bids. Bidder J had initially submitted a single resource that was priced as a quasi-peaking/baseload hybrid resource. During this process, MidAmerican indicated to Bidder J that its hybrid resource did not appear to be cost-effective in either peaking or baseload categories. Bidder J asked if it could submit revised bids that would split apart the peaking and baseload qualities of its initially-proposed resource. MidAmerican indicated that it would entertain such a modification. Bidder J submitted revised bids in the middle of July.

Q. What was the next step in the RFP process?

A. Individual meetings were held with the three bidders with combined cycle proposals to refine the proposals and to obtain the best possible terms to select a final winner.

Q. What did MidAmerican then do to select the winner from the remaining short-listed bidders?

A. MidAmerican updated the analytical process using the costs included in the revised proposals from Bidder J, CEC, and Bidder E. This procedure included the dispatch analysis followed by the economic and financial evaluations.

After evaluating the revised proposals, MidAmerican determined that Bidder J offered the least-cost resource and notified Bidder J that it had been selected as the finalist on July 28, 1999.

Q. What economic parameters were considered in the evaluation process?

A. The evaluation process considered how the various proposed resources might operate based on economic dispatch. The economic and financial analyses evaluated the various costs associated with each proposal. These costs included the capacity charges, fuel and other operating costs as provided in the proposals, and any transmission costs that would be incurred in receiving the energy onto MidAmerican's system. In addition, the financial evaluation considered an equity charge for all purchased power options, including CEC.

This equity charge accounted for the financial community's policy of considering a portion of a PPA's annual fixed (demand) costs as debt. Proposals that have a higher portion of costs in the demand component were penalized more heavily than those with lower fixed costs because of the greater risk associated with larger non-varying committed expenditures. The equity charge was calculated by imputing the amount of equity that would be needed to return the implied capital structure of the utility back to 50% debt/50% equity coupled with the incremental cost of equity compared to long-term debt. This process was applied consistently to all proposals in this solicitation, including CEC's.

Q. Did you perform an independent analysis of MidAmerican's economic and financial analyses of the short list?

A. Yes. The base financial and economic analyses of the Bidder J, Bidder E, and CEC proposals performed by MidAmerican were reviewed for consistency of methodology and numerical inputs. Hagler Bailly performed a simplified independent evaluation of the shortlisted proposals and confirmed the ranking that MidAmerican developed. Also, the sensitivity analyses that were part of the analytical effort of MidAmerican were included in Hagler Bailly's review. I believe that the analysis undertaken by MidAmerican was a fair and reasonable evaluation of the proposals from the three short-listed bidders. I believe that MidAmerican selected the best remaining least-cost resource that was available to it during each phase of the negotiation process.

Q. At the time of the determination of the finalist bidder (i.e., July 28, 1999), where did CEC rank?

A. CEC was the second most-favorable proposal; Bidder E was third.

Q. What is your understanding of the negotiation efforts between MidAmerican and Bidder J that occurred based on your review of the various documents and correspondence?

A. On August 2, 1999, Bidder J sent a draft agreement that would be the framework under which Bidder J would sell power to MidAmerican. In addition to the agreement, Bidder J indicated it would provide a confirmation sheet which would include the agreed-upon terms for the dispatch of the resource, including capacity, scheduling, and cost parameters. On August 4, 1999, Bidder J sent the initial draft of this confirmation sheet that included the terms of its finalist proposal. Bidder J also included a note that indicated that it would next be working on the terms associated

with a request from MidAmerican to increase the capacity in the first year from 50 MW to 200 MW and to reduce the term from five years to three years.

Over two weeks later, on August 18, 1999, Bidder J provided four different pricing options, two options with the original 50 MW in the first year but with either a 3- or 5-year term, and the other two options with 200 MW in the first year and 3- or 5-year terms. In all cases, the capacity price was more than 11% higher than the rate in its finalist proposal. Bidder J's covering memo mentioned the fact that "the market has moved due to the price volatility and demand as a result of the activity in July." On the next day, a term sheet with one option, a 200-MW capacity level for five years starting in June 2001, was provided by Bidder J, without any capacity provided in 2000, with less scheduling flexibility, and without the liquidated damages provision that were included in the finalist proposal, but with the originally proposed capacity charge. These three provisions included in the finalist proposal had provided value to MidAmerican. None of these five options were as attractive as the original finalist proposal.

I understand that a meeting between Bidder J and MidAmerican took place on August 30, 1999 that was intended to cover a range of options that would return the value of Bidder J's new proposals to the value of its finalist proposal. The meeting ended with MidAmerican's expectation that Bidder J would return with more attractive terms. The term sheet sent by Bidder J two days later provided three options for 200 MW of capacity with varying durations and terms, with MidAmerican responsible for acquiring transmission services. The best of these three options was priced (for capacity and associated transmission) over 7% higher than in its finalist

proposal. Also, this option entailed higher energy charges during peak months. In total, even the best of these options was not as attractive or as cost-effective as the CEC proposal.

Q. What did MidAmerican do then?

A. MidAmerican contacted the other two short-listed bidders (CEC and Bidder E) to establish if they would still be able to provide MidAmerican with capacity.

Since the RFP indicated that proposals needed to be valid through August 16, 1999, the CEC and Bidder E proposals technically had expired. Therefore, MidAmerican asked the two remaining short-listed bidders to provide updated proposals by October 4, 1999. Using the same evaluation processes, MidAmerican determined that CEC's newest proposal (which improved slightly from its July offer) was the least-cost proposal.

In an effort to give Bidder E a chance to match or beat the CEC offer, MidAmerican determined and submitted to Bidder E on November 24, 1999 a term sheet that included a price structure for Bidder E's resource that would make MidAmerican indifferent between the two shortlisted bidders. Minnesota rejected that counter-proposal, leaving CEC as the least-cost option available to MidAmerican.

Q. Stepping back and looking at the whole solicitation process, do you believe that the level of response to the solicitation was reasonable?

A. Yes. The solicitation letter was sent to over 100 potential suppliers, including utilities, independent power production developers, and power marketers. The solicitation letter had a notice of intent form that potential bidders were encouraged to return if they expected to submit proposals. There was no requirement to submit the notice of

intent form if the recipient did not expect to submit a proposal. MidAmerican received 20 responses: 11 indicated that they would submit a proposal (one later changed its mind), six noted that they would not; and three made no indication, but it was presumed that they would submit bids. Ultimately, 12 bidders submitted proposals, some of which included multiple options.

Recognizing the capacity situation in the Midwest and the price spikes in the spot market that had occurred during the past two summers, most of the capacity that could be reasonably delivered to MidAmerican was already committed. Therefore, the number and types of proposals that were received — for units under construction, or new units with some form of options for the near term — were consistent with expectations.

Q. What was the schedule of events as envisioned in the RFP?

A. Bidders had about four weeks from the receipt of the RFP to prepare and submit a proposal. Since the RFP did not ask for detailed forms to be submitted or for draft contracts or similar time-consuming information, the response period and information requested was reasonable. Many of the potential bidders were sophisticated market players or located in the Midwest and would have had a reasonable understanding of the Midwest markets; thus, they were in a position to respond fairly quickly. The evaluation process, including clarification of bids and appropriate negotiations, was scheduled to take about one month. With the RFP indicating a proposal validity date in mid-August, about six weeks after completion of the evaluation process, contract negotiations should have been substantially completed at that point.

Q. Do you believe that the schedule as outlined in the RFP was realistic and achievable?

A. Based on my experiences in other resource solicitations, I believe that the schedule was ambitious but achievable. The month that was allowed for proposal preparation and the month that was provided for proposal clarification and evaluation were reasonable and achievable given the nature of the solicitation and the number of responses received. The six-week period for any final short list and contract awarding coupled with contract negotiations appears to be somewhat aggressive but not unreasonable.

Q. With the notification to Bidder J of its finalist status, how was the solicitation process moving compared to the stated schedule?

A. It appears that the notification to Bidder J occurred about one to two weeks later than reflected in the schedule outlined in the RFP letter. The initial evaluation and clarifications of the proposals were completed in about one month, close to schedule. As the situation unfolded, Bidder J indicated that it wanted to modify its initial proposal because it had not been cost-effective. About one week later, Bidder J submitted a substantially improved bid. Bidder J was selected as the winning bidder two weeks later. This left three weeks in which to complete contract negotiations under the initial schedule. This was somewhat behind schedule, although not significantly.

Q. What is your understanding of the events that happened in August as they relate to the schedule?

A. Negotiations with Bidder J went in reverse on the issue of price. Despite MidAmerican getting positive signals from Bidder J that the bidder could get its then current proposal back in line with its July proposal, such did not end up being the

case. By the end of August, after two meetings, MidAmerican had received revised proposals, none of which matched the value of Bidder J's finalist proposal.

Q. Do you believe that MidAmerican acted reasonably in terminating discussions with Bidder J?

A. Yes. Based on my review, I believe that MidAmerican was justified in ending the discussions with Bidder J. As part of the initial negotiation process, MidAmerican made a legitimate request to determine the costs for a shortened delivery period as an exploratory option or to modify the initial deliveries to maximize value for its customers. After Bidder J raised the price for this request, MidAmerican indicated that it wanted to return to the original terms as reflected in Bidder J's July proposal. Bidder J's response was a set of proposals, none of which matched the value of the July version. The potential deal with Bidder J had deteriorated from an economic perspective and there was minimal progress made towards a contract. The time was approaching when MidAmerican needed to have a commitment in place to meet its capacity requirements.

Q. What is your overall assessment of the solicitation process and results?

A. Based on the review of the materials associated with the solicitation and the documentation of events that took place during the solicitation and evaluation period, I believe that the process was fair to all potential bidders. During the evaluation process, MidAmerican sought to clarify from each bidder the terms and conditions associated with the offer and provided an opportunity for each bidder to clarify or modify its offer to meet MidAmerican's needs.

The selection of CEC represents the least-cost combined-cycle resource that was available to MidAmerican in the required time frame. I believe that, as the least-cost combined-cycle resource, the purchase of power from CEC will benefit utility customers and is in the public interest.

Q. Do you believe that all bidders were treated fairly?

A. Based upon my understanding of the events that transpired during this period and a review of the various documents, I believe all bidders were treated fairly. I believe fair treatment entails affording equal opportunities to all relevant bidders at each stage of the solicitation process.

As an example of this in MidAmerican's solicitation, once the initial analysis had been performed, Bidder J indicated to MidAmerican that it wished to split its original proposal and resubmit two separate proposals that might better address MidAmerican's needs. Other bidders in the running during that period (e.g., Bidder E and CEC) were afforded the same opportunity to change or improve the terms of their initial proposals.

Later in the process, after Bidder J had been selected but had adversely modified its bid, MidAmerican returned to the two other shortlisted bidders and offered them the opportunity to submit updated proposals. As a final effort to afford all possible opportunities to the final non-affiliated contender, MidAmerican approached Bidder E with an adjusted Bidder E final proposal that was equivalent to CEC's final proposal. MidAmerican asked Bidder E if it would accept this adjusted proposal and it declined.

From all of the available documentation and evidence, it appears that MidAmerican tried to accommodate all responsive proposals, offering all relevant bidders (i.e., those who were still in the running at each stage) the same opportunities. Specifically, it offered all relevant bidders the chance to modify and clarify their proposals before the initial short list, before the selection of Bidder J at the end of July, after the failed terms with Bidder J, and after the selection of CEC. Thus, I believe that the solicitation was conducted fairly.

Consumer Benefits

Q. Is the PPA beneficial to consumers of MidAmerican's rate-regulated electric supply services?

A. Yes. The benefits to these customers accrue from the solicitation effort undertaken by MidAmerican to secure the least-cost resource alternatives available to meet future electric requirements. The solicitation process sought proposals from a wide range of potential resources. The proposals that were submitted represented resources that bidders indicated would be available to MidAmerican in the time frame required. MidAmerican evaluated these proposals and selected the proposals that provided the least-cost options. The CEC PPA itself is beneficial to consumers in that it provides an assured source of capacity and energy over the 2001 to 2004 period, without necessitating a long-term resource commitment as the utility industry moves to deregulation and retail access. Given the time frame when resources are needed, the PPA with CEC and a PPA with Bidder A represent the least-cost options.

Q. Have you quantified the consumer benefits that may result from this PPA?

A. Yes. The evaluation process performed by MidAmerican was structured to provide the lowest overall cost of power from the customers' perspective. Under the base assumptions reflected in the analyses, the CEC proposal that was selected was expected to provide MidAmerican with a net present value of savings compared to the proposal from Bidder E of about $10 million over the 3-year period reflected in the Bidder E proposal, and $13.6 million when the overall proposal periods are considered. During the course of negotiations with CEC, there were several changes made from the proposed terms, including a shorter contract term. The effects of these changes appears to be a slight reduction in net savings over the Bidder E proposal to about $9.2 million.

While there has been a small decrease in the savings compared to the Bidder E alternative, the PPA should provide MidAmerican's customers with the lowest cost resource option available at this time.

Q. What is the likelihood that these consumer benefits will not be realized?

A. These benefits have been derived on the base case expectations of the 2001 to 2004 period. If the PPA is not approved and signed or if the PPA is terminated because the project is not on schedule, then the consumers will not receive any benefits from the PPA. In fact, MidAmerican would be faced with purchasing energy on the spot market with its volatility, operating more costly energy resources, and purchasing capacity to meet its reserve obligations.

Since the PPA only has a three-year term, differences between projected future costs and actual costs should not seriously impact the level of savings. The

sensitivity analyses performed by MidAmerican indicated that the CEC proposal remained cost-effective. Higher natural gas prices would increase the cost of power from CEC, but they would also increase the costs associated with the Bidder E proposal as well as the market clearing prices.

Since MidAmerican indicated that the utility barely had sufficient capacity to meet its obligations in 1999 and peak loads are expected to continue increasing, the 200 MW purchase over the 2001 to 2004 period will be necessary to meet those future loads. Even if retail competition is implemented, the exposure to high costs to MidAmerican and its customers will be minimized by the short term of the PPA.

To the best of my knowledge, the only significant consideration in MidAmerican realizing the CEC resource benefits involves MAPP capacity accreditation. The CEC PPA puts the accreditation responsibility on MidAmerican. It is probably a remote possibility that the resource would not get MAPP accreditation, but if this happened, it would significantly reduce the value of the contracted resource.

No unfair competitive advantage for CEC

Q. Will the PPA provide CEC with an unfair advantage by virtue of CEC's affiliation with MidAmerican?

A. No. The PPA is the result of a competitive solicitation in which MidAmerican chose the CEC contract because it was the least-cost resource for meeting MidAmerican's capacity needs. Because of that fact, it is clear that the PPA does not provide CEC with subsidized or inflated revenues that might give it an unfair advantage against

competitors. The economic terms of the PPA are the lowest terms that were available to MidAmerican through the qualifying responses to its solicitation.

Q. Did the RFP, as administered by MidAmerican, offer any advantages to CEC by virtue of its affiliation with MidAmerican?

A. No. MidAmerican's administration of the RFP and its evaluation of the CEC proposal was performed on the same bases as the other proposals — to select the best source of low cost power. Thus, MidAmerican did not give any advantage or preferential treatment to CEC as an affiliate. The solicitation was fair to all bidders.

The public interest

Q. Is the PPA in the public interest?

A. Yes. The PPA is the result of a competitive solicitation. It represents MidAmerican's least-cost option for acquiring the necessary MAPP-accreditable capacity to address its customers' needs. As a natural-gas-fired combined cycle facility, the Cordova plant will be a high-efficiency, low-emissions addition to the Midwest's inventory of generating plants.

Q. Does this conclude your direct testimony?

A. Yes.

ALAN S. TAYLOR

AREAS OF QUALIFICATION

Competitive bidding resource selection, integrated resource planning, acid rain compliance planning, risk assessment, market analysis and strategic planning

EMPLOYMENT HISTORY

- Vice President, Economics & Analytics Group, PHB Hagler Bailly, Inc., Boulder, CO, 2000-present
- Principal, Economics & Analytics Group, PHB Hagler Bailly, Inc., Boulder, CO, 1997-1999
- Senior Consultant, Law & Economics Group, Hagler Bailly Consulting, Inc., Boulder, CO, 1995-1997
- Senior Associate, Utility Services Group, RCG/Hagler Bailly, Inc., Boulder, CO, 1991-1995
- Summer Intern, Pacific Gas and Electric Company, San Francisco, CA, 1990
- Graduate Student Research Associate (part-time), Lawrence Berkeley Laboratory, Berkeley, CA, 1989-1991
- Senior Consultant, Energy Management Associates, Atlanta, GA, 1983-1988
- Undergraduate Research Associate, MIT Resource Extraction Laboratory, Cambridge, MA, 1982
- Summer Intern, Baltimore Gas and Electric Company, Baltimore, MD, 1980

EDUCATION

- Walter A. Haas School of Business, University of California at Berkeley, MBA, Valedictorian, Corporate Finance, 1991
- Massachusetts Institute of Technology, BS, Energy Engineering, 1983

PROFESSIONAL EXPERIENCE

- Managed the development of market price forecasts under electric utility industry deregulation.
- Conducted competitive bidding project evaluations for conventional generating resources, renewable facilities, and off-system power purchases.
- Led contract negotiations with shortlisted bidders in a utility resource solicitation.
- Managed the technical and economic appraisal of cogeneration facilities.
- Performed financial modeling of electric utility bankruptcy workout plan.
- Trained and assisted many of the nation's largest electric and gas utilities in their use of operational and strategic planning computer models.

SELECTED PROJECTS

1998 **Evaluation of New Resources**
1998 Client: Public Service of Colorado

Assisted the evaluation of proposals for PSCo's near-term 1999 resource additions and managed the complete third party evaluation of proposals for resources in the 2000-2007 time frame. Such resources included third-party facilities and power purchases, as well as company-sponsored interruptible tariffs. Mr. Taylor assisted with the development of the request for proposals and oversaw the evaluation of all responses. He and his team monitored subsequent negotiations with shortlisted bidders. Mr. Taylor testified before the Colorado Public Utilities Commission on the fairness of the solicitation and the results of the evaluation.

1997 **Evaluation/Negotiation of Transmission Interconnection Solicitation**
1999 Client: New Century Energies

Managed a solicitation for participation in a major transmission project interconnecting Southwestern Public Service (a Texas member of the Southwest Power Pool) and Public Service of Colorado (a member of the Western Systems Coordinating Council). As the first major inter-reliability-council transmission project in the era of open access, FERC required that SPS and PSCo solicit third-party interest in participation. This project required the development of an RFP and evaluation of responses for both equity participation and long-term transmission service for over 21 alternative high-voltage AC/DC/AC transmission projects. The evaluation has focused on the costs and intangible risks of different transmission alternatives relative to the benefits and savings associated with increased economy interchange, avoided future generating capacity, and reductions in single-system spinning reserve and reliability requirements.

1996 **Evaluation/Negotiation of All-Source Solicitation**
1997 Client: Southwestern Public Service

Managed the evaluation of a broad array of responses to an all-source solicitation that was issued by Southwestern Public Service (SPS). Resources in the areas of conventional supply-side generation, renewable resources, off-system transactions, DSM, and interruptible loads were proposed. The evaluation entailed scoring the proposals for a variety of price and nonprice attributes. Hagler Bailly was retained to assist Southwestern in its negotiations with the bidders and to perform the detailed evaluation of the best and final offers.

1996 **Risk Assessment for 1,000-MW Solicitation**
1997 Client: Seminole Electric Cooperative

Managed the review and assessment of risks associated with responses to a 1,000-MW solicitation that was issued by Seminole Electric Cooperative. The evaluation entailed reviewing

selected proposals' financial feasibility, performance guarantees, fuel supply plans, O&M plans, project siting, dispatching flexibility, and bidder qualifications.

1995 **Analysis/Testimony Concerning Louisville Gas & Electric's Fuel Adjustment Clause**
Client: Kentucky Industrial Utility Customers

Performed a detailed examination of Louisville Gas & Electric's (LG&E) fuel adjustment clause and identified misallocated costs in the areas of transmission line losses and purchased power fuel costs. Mr. Taylor also critiqued LG&E's rate adjustment methodology and recommended closer scrutiny of costs associated with jurisdictional and non-jurisdictional sales. Mr. Taylor testified before the Kentucky Public Service Commission and presented the findings of his analysis.

1995 **Analysis/Testimony Concerning Kentucky Utilities' Fuel Adjustment Clause**
Client: Kentucky Industrial Utility Customers

Performed a detailed examination of Kentucky Utilities' fuel adjustment clause and recommended more appropriate allocations of costs among jurisdictional and non-jurisdictional customers. Particular emphasis was placed on inter-system sales (and the line losses associated with such sales), purchase power fuel costs, the correct determination of jurisdictional sales. Mr. Taylor testified before the Kentucky Public Service Commission and presented the findings of his analysis.

1993 **Development of All-Source Solicitation RFPs**
Client: Southwestern Public Service

Managed the development of five RFPs that solicited resources in the areas of conventional supply-side generation, renewable resources, off-system transactions, DSM, and interruptible loads. The RFPs were issued by SPS as part of an all-source solicitation to identify resources that may be competitive with two generation facilities that SPS intended to develop.

1993 **Environmental Compliance Analysis**
Client: Western utility

Performed a confidential detailed environmental analysis that involved executing hundreds of production simulations of the client utility's system (using PROSCREEN II) to analyze SO_2, NO_x, and particulate reductions associated with different fuel-switching, capital investment, and retirement scenarios.

1991 **Implementation of Continuous Emission Monitoring Regulations**
1994 Clients: Various

Assisted over 50 utilities in ensuring their compliance with the CAAA's continuous emission monitoring (CEM) regulations (40 CFR Part 75). Using *75check*, Hagler Bailly's CEM quality

emissions software system, the project team analyzed the electronic data reports that utilities must file with the U.S. EPA on a quarterly basis. These reports contain detailed hourly emissions information for every CAAA-affected plant and serve as the foundation for the SO_2 emission allowance market.

1992 **Evaluation of Big Rivers' Clean Air Act Compliance Plan**
Client: Kentucky Industrial Utility Customers

Performed a detailed analysis of Big Rivers Electric Corporation to determine the appropriate SO_2 emission reduction strategy that the utility should undertake to comply with the 1990 Clean Air Act Amendments (CAAA). The utility's historical operations were studied and dozens of hourly production cost simulations of Big Rivers' utility system were performed to assess the operational and economic impacts of different CAAA compliance strategies. Risk/sensitivity analyses were undertaken to determine the affects of varying assumptions of fuel prices, capital costs, and operating and maintenance costs. Mr. Taylor testified before the Kentucky Public Service Commission, endorsing the implementation of a specific incentive ratemaking methodology that would encourage the utility to minimize its compliance costs.

1991 **Fuel Procurement Audit of Columbia Gas Company**
Client: Public Utilities Commission of Ohio

Assisted in a fuel procurement audit of Columbia Gas Company in Ohio. The utility's gas transportation programs were scrutinized to ensure that full service customers were not subsidizing transportation customers. Cost allocation procedures were studied and marginal costs of service for transportation customers were examined. In addition, the audit included an investigation of how the utility calculated and monitored unaccounted-for-gas.

1991 **Development of Competitive Bidding RFP**
Client: Empire District Electric Company

Based on knowledge gained from the review of dozens of other utility RFPs, developed a combined cycle resource RFP for Empire District Electric Company. The project team was responsible for the RFP's entire development, including the development of scoring provisions for price and nonprice project attributes.

1991 **Selection of Developer for 25 MW Wind Facility**
Client: Northern States Power

Evaluated ten bids that were received by NSP in a solicitation for the development of a 25 MW wind facility in Minnesota. The proposals were scored and ranked through a point-based evaluation system that was developed prior to the solicitation. The scoring involved an assessment of operational and financial feasibility, power purchase pricing terms, construction schedules, and community acceptance issues.

Competitive Bidding Design
Client: Northern States Power

Assisted NSP in the utility's effort to design a generic competitive bidding RFP that could be used for a variety of generation resources. Two dozen RFPs from other utilities were reviewed to determine the appropriate weights and mechanisms that should be used to score various project attributes.

Evaluation of 500 MW Supply-Side Solicitation
Client: San Diego Gas & Electric

Assisted in the evaluation of 15 bids that were received from a 500 MW solicitation for power by SDG&E. The utility wanted to determine whether or not there were less expensive alternatives to the implementation of its plan to repower one of its own units. The 15 projects represented over 4,000 MW. The bids were evaluated using extensive production costing modeling, in which over 1,000 model runs were performed to evaluate each bid under a variety of scenarios.

Integration of DSM Programs into Utility IRP Filing
Client: Public Service Company of Colorado

Assisted utility in DSM modeling and IRP optimization using PROSCREEN II/PROVIEW. A data transfer system was designed to translate DSM program information from various utility departments. Simulations were performed to assess the cost-effectiveness of different demand- and supply-side options.

SELECTED PUBLICATIONS AND PRESENTATIONS

"Fundamentals of Electricity Deregulation," American Association of Petroleum Geologists/Electric Power Research Institute Conference, April 1999.

"The Coal/Natural Gas Balance in a Reconfigured Utility Industry," American Bar Association Conference on Electricity Law and Regulation, February 1998.

"Asset Divestitures in the Deregulating Power Markets," Hybrid U.S. Power Market Conference, February 1998.

Modeling Renewable Energy Resources in Integrated Resource Planning, D. Logan, C. Neil, and A. Taylor, National Renewable Energy Laboratory, May 1994.

Regulatory Treatment of Electric Utility Clean Air Act Compliance Strategies, Costs, and Emission Allowances, K. Rose, M. Harunuzzaman, and A. Taylor, The National Regulatory Research Institute, December 1993.

"Risk Management Under the 1990 Clean Air Act Amendments: A Study of Emissions Allowance Reserves," Electric Power Research Institute, November 1993.

"Regulatory Accounting for Acid Rain Compliance Planning," 8th Biennial Regulatory Information Conference, September 1992.

"A Seminar on the Techniques and Approaches to Integrated Resource Planning," Hawaii Public Utilities Commission, September 1992.

"A Comparison of the Uranium and Emissions Allowance Markets," A. Taylor and M. Yokell, Electric Power Research Institute, February 1992.

"State Regulation of Utility Compliance Plans and Its Impact on the Emissions Allowance Marketplace," 103rd National Association of Regulatory Utility Commissioners Annual Convention, November 1991.

"Repowering and Site Recycling in a Competitive Environment," A. Taylor and E.P. Kahn, Lawrence Berkeley Laboratory, March 1991.

STATE OF SOUTH DAKOTA

BEFORE THE PUBLIC UTILITIES COMMISSION

MidAmerican Energy Company	:	
	:	**DOCKET NO. _____**
Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act	:	**APPLICATION FOR DETERMINATIONS**

AFFIDAVIT OF
ALAN S. TAYLOR

STATE OF COLORADO)
) ss.
COUNTY OF BOULDER)

I, Alan S. Taylor, being first duly sworn on oath, depose and state that I am the same Alan S. Taylor identified in the following Direct Testimony; that I have caused the following Direct Testimony, including any Exhibits, to be prepared and am familiar with the contents thereof; and that the following Direct Testimony, including any Exhibits, are true and correct to the best of my knowledge and belief as of the date of this Affidavit.

Alan S. Taylor

Subscribed and sworn to before me,
a Notary Public in and for said County
and State, this 28th day of January, 2000.

Patricia Mangels
Notary Public

PATRICIA MANGELS NOTARY PUBLIC STATE OF COLORADO

MY COMMISSION EXPIRES:
April 6, 2003

STATE OF SOUTH DAKOTA

BEFORE THE PUBLIC UTILITIES COMMISSION

MidAmerican Energy Company	:	
	:	**DOCKET NO. _____**
Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act	:	**APPLICATION FOR DETERMINATIONS**

Volume 2 of 2

Confidential Information

MidAmerican Energy Company

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Attorney for
MidAmerican Energy Company

CONFIDENTIAL

MidAmerican Energy Company
2000-2005 Generation Capacity Plan

This plan is intended to support recommendations for buying and building capacity in the 2000-2005 period for MidAmerican Energy Company ("MEC"). Included in this document are the following topics:

- Philosophies related to capacity changes;
- Review of load and capability issues;
- Review of buying capacity;
- Review of building capacity;
- Comparison of buy and build options;
- Options to reduce native load peak requirements (or "DSM");
- Opportunities to develop and apply distributed generation options;
- Opportunities to buy or construct alternative energy (or "green power");
- Opportunities to partner with other utilities (build option);
- Discussion of risks of action and inaction; and
- Summary of actions recommended.

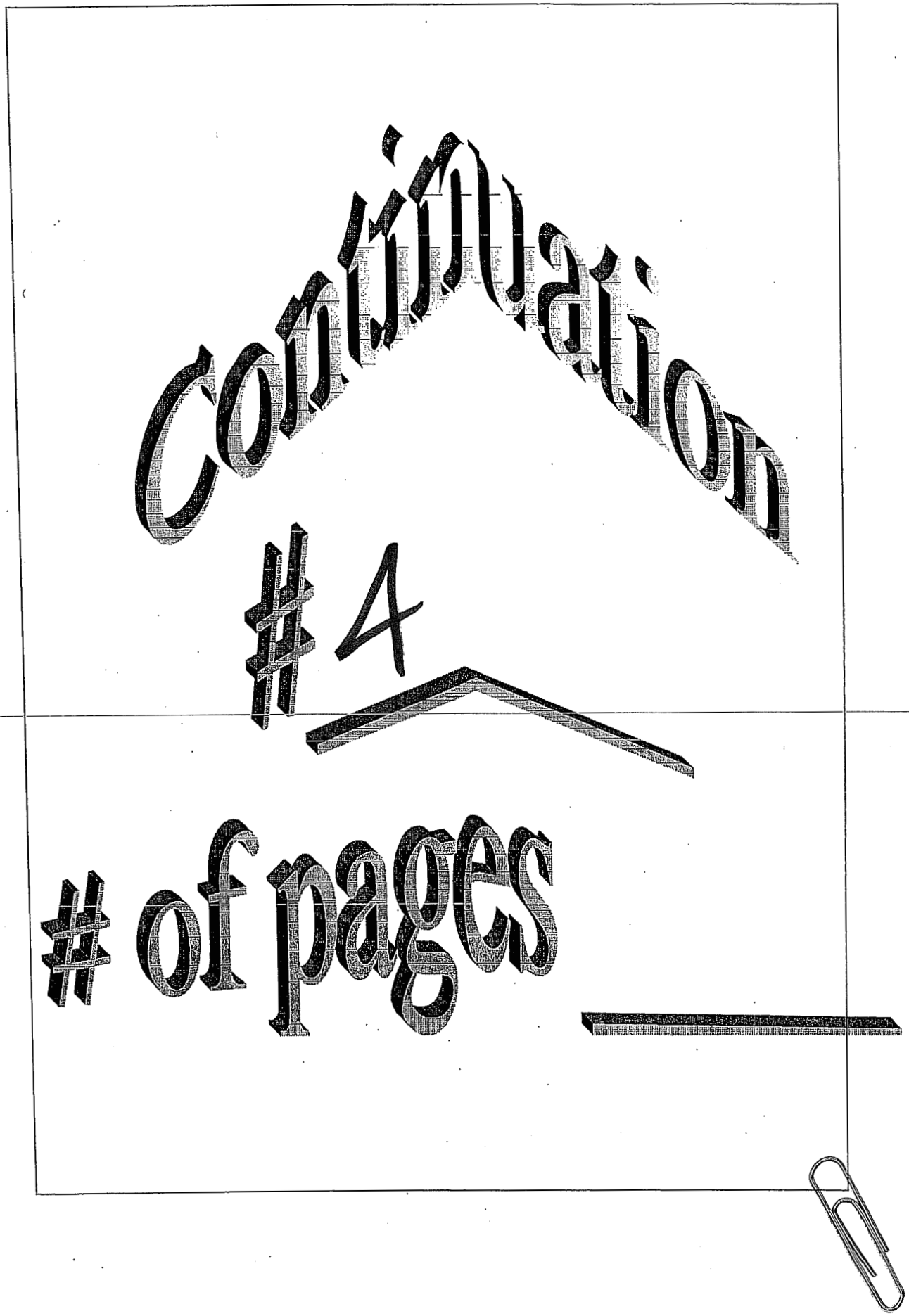
The focus of this analysis is on MEC's close-in market needs (i.e., primarily on Iowa and surrounding states). The analysis does not encompass a look at the generation business unit's ("MidAmerican Generation") strategy of targeting a broader, 22-state region.

Philosophies

MidAmerican Generation is in the process of transitioning from an era of being required to supply all MEC customers within a defined service territory to an era when generation services will be fully competitive. This transition is just beginning, and it will take two to five years, or longer, before all obligations to supply regulated customers are gone. However, even before the time the obligation to supply is completely removed, regulated generation services that are part of bundled pricing may be priced on a competitive basis.

This period of transition is especially awkward. MEC must meet its supply obligations today and plan for its long-term future, not knowing how much of the competitive market it will have in the future. MEC must adopt evaluation methodologies today that also result in the best decision for tomorrow's competitive environment. As a result, one key criterion for making capacity build and buy decisions is how the alternatives compare to our projections of market clearing prices ("MCP"). By assessing the options against MCP projections, there is reasonable[1] tradeoff between buying or building capacity versus staying short and trying to buy in the open energy market. A second key criterion is an understanding of how a new generation position (contract to purchase or

[1] The reason for this qualification is that there is significant risk to assuming energy and capacity can be purchased on short notice (e.g., MEC could be at risk to purchasing energy at prices like the ones we saw in the second half of July 1999).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South Dakota Public Utilities Commission

WEEKLY FILINGS

For the Period of March 2, 2000 through March 8, 2000

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five business days of this filing.
Phone: 605-773-3705 Fax: 605-773-3809

CONSUMER COMPLAINTS

CT00-045 In the Matter of the Complaint filed by Ralph C. Campbell, Watertown, South Dakota, against OLS, Inc. Regarding Switching Telecommunications Services Through Deceptive Tactics.

On February 22, 2000, a formal complaint was received from Ralph C. Campbell indicating that he received a deceptive telemarketing call. As a result of this call, the Complainant's telecommunications service was switched to OLS. As a resolution the Complainant is seeking $1000 on behalf of all parties who were slammed.

Staff Analyst: Leni Healy
Staff Attorney: Karen Cremer
Date Docketed: 03/07/00
Intervention Date: NA

ELECTRIC

EL00-006 In the Matter of the Application of MidAmerican Energy Company for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act.

Under Section 32(k)(1) of Public Utilities Holding Company Act, an electric utility may not enter into a contract to purchase electric energy at wholesale from an exempt wholesale generator if that exempt wholesale generator is an affiliate or associated company of the electric utility unless the South Dakota Public Utilities Commission makes certain determinations as required by the Act. MidAmerican Energy Company seeks such a determination from the Commission with regard to its proposal to purchase power from Cordova Energy Center, an affiliate of MidAmerican.

Staff Analyst: Michele Farris
Staff Attorney: Camron Hoseck
Date Docketed: 03/02/00
Intervention deadline: 03/24/00

TC00-020 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Accent Communications, Inc.

TC00-021 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Armour Independent Telephone Company.

TC00-022 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Baltic Telecom Cooperative

TC00-023 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Beresford Municipal Telephone Company.

TC00-024 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Bridgewater-Canistota Independent Telephone Company.

TC00-025 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and City of Faith Telephone Company

TC00-026 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and East Plains Telecom, Inc.

TC00-027 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Fort Randall Telephone Company

TC00-028 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Golden West Telecommunications Cooperative, Inc.

TC00-029 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Hanson Communications, Inc.

TC00-030	In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Hanson County Telephone Company.
TC00-031	In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Heartland Communications, Inc.
TC00-032	In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Interstate Telecommunications Cooperative, Inc.
TC00-033	In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and James Valley Cooperative Telephone Company.
TC00-034	In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Jefferson Telephone Company.
TC00-035	In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Kadoka Telephone Company.
TC00-036	In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Kennebec Telephone Company.
TC00-037	In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and McCook Cooperative Telephone Company.
TC00-038	In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Midstate Telephone Company.
TC00-039	In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Mount Rushmore Telephone Company.

TC00-040 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and RC Communications, Inc.

TC00-041 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Roberts County Telephone Cooperative Association.

TC00-042 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Sanborn Telephone Cooperative

TC00-043 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Sancom, Inc.

TC00-044 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Sioux Valley Telephone Company

TC00-045 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Splitrock Properties, Inc.

TC00-046 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Splitrock Telecom Cooperative, Inc.

TC00-047 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Stateline Telecommunications, Inc

TC00-048 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Stockholm-Strandburg Telephone Company.

TC00-049 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Sully Buttes Telephone Cooperative, Inc.

TC00-050 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Union Telephone Company.

TC00-051 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Valley Cable & Satellite Communications, Inc.

TC00-052 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Valley Telecommunications Cooperative Association.

TC00-053 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Venture Communications, Inc.

TC00-054 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Vivian Telephone Company d/b/a Golden West Communications, Inc.

TC00-055 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and West River Cooperative Telephone Company.

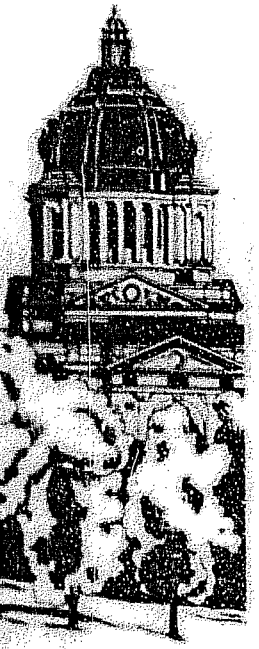
TC00-056 In the Matter of the Filing by South Dakota Independent Telephone Coalition for Approval of Reciprocal Transport and Termination Agreement between G.C.C. License L.L.C. and Western Telephone Company

Description for TC00-020 thru TC00-056

The above companies have each filed a reciprocal transport and termination agreement which was negotiated and entered into between them and GCC License L.L.C. which is an affiliate of Western Wireless Corporation. Commission approval is sought pursuant to 46 U.S.C. Section 252(e).

Staff Attorney: Camron Hoseck
Date Filed: 03/02/00
Intervention Deadline: 03/24/00

You may receive this listing and other PUC publications via our website or via internet e-mail. You may subscribe or unsubscribe to the PUC mailing lists at http://www.state.sd.us/puc/



South Dakota
Public Utilities Commission

State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070

June 16, 2000

William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
500 E. Capitol Ave.
Capitol Building
Pierre, SD 57501

Re: In the Matter of the Application of MidAmerican Energy Company
EL00-006

Dear Mr. Bullard:

Transmitted herewith please find a draft Order Reciting Commission Determinations for filing and distribution to the Commissioners and their advisory staff prior to the meeting on June 20, 2000.

A copy of this Order is being served upon MidAmerican's attorney, Randall B Palmer as it is being filed with the Commission on this date. It has been the subject of discussion between Commission Staff and Mr. Palmer and a prior draft has been furnished to him.

While admittedly, the filing of a draft Order prior to the Commission meeting is out of the ordinary, it is not intended to be presumptive as to the Commission's final action. The purpose of this filing at this time is to give the Commission and their advisors a common working document which hopefully will facilitate the Commission's decision making process. It is an attempt by staff to develop a "target" that will hopefully lead to a final and workable Order while at the same time facilitating discussion on the determinations the Commission is called upon to ultimately make.

Very truly yours,

Camron Hoseck
Staff Attorney

cc: Randall B. Palmer via fax
Michele Farris
enclosure

Capitol Office
Telephone (605)773-3201
FAX (605)773-3809

Transportation/
Warehouse Division
Telephone (605)773-5280
FAX (605)773-3225

Consumer Hotline
1-800-332-1782

TTY Through
Relay South Dakota
1-800-877-1113

Internet Website
www.state.sd.us/puc/

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF MIDAMERICAN ENERGY COMPANY FOR DETERMINATIONS PURSUANT TO SECTION 32(K)(2)(A) OF THE PUBLIC UTILITY HOLDING COMPANY ACT	)))))	ORDER RECITING COMMISSION DETERMINATIONS EL00-006

On March 2, 2000, the South Dakota Public Utilities Commission (Commission) received an Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act (PUHCA) from MidAmerican Energy Company (MidAmerican).

MidAmerican is a direct wholly-owned subsidiary of MHC Inc., an exempt public utility holding company under PUHCA, which in turn is an indirect wholly-owned subsidiary of MidAmerican Energy Holdings Company (MidAmerican Holdings). MidAmerican proposes to enter into a purchase power agreement (the transaction) with Cordova Energy Company LLC (Cordova) which is a direct wholly-owned subsidiary of Quad Cities Energy Company which is a direct wholly-owned subsidiary of MidAmerican Holdings. Cordova is an exempt wholesale generator and is an affiliate of MidAmerican.

MidAmerican in its filing provided pre-filed testimony and exhibits relative to the merits of its Application.

At its regularly scheduled meeting of June 20, 2000, the Commission considered this matter. MidAmerican appeared through its counsel of record Randall B. Palmer and explained MidAmerican's Application. Commission Staff recommended that the findings be entered with certain conditions.

Based upon the Application, the presentation of MidAmerican and the recommendations of Commission Staff, the Commission makes the following determinations:

(i) The Commission has sufficient regulatory authority, resources and access to books and records of MidAmerican and Cordova to exercise its duties under 15 U.S.C. Section 79z-5a(k)(20)(A) pursuant to SDCL Chapter 49-34A, generally, and specifically SDCL 49-34A-41, 49-34A-6. Also available to the Commission for purposes of access to records are those processes found at or implemented under SDCL 1-26-19.1, 1-26-19.2 and 15-6-26(b).

(ii) The transaction (I) will benefit customers by providing generating capacity which will allow MidAmerican to avoid reserve penalties which may be imposed by the Mid-Continent Area Power Pool (MAPP). The purchase power agreement provides an assured source of capacity and energy for the 2001-2004 period without necessitating a long-term resource commitment. The transaction (II) does not violate state law. South Dakota law

acknowledges that affiliate transactions may occur and has provided a remedy to disallow the effects of these transactions in rate cases should they not be in the public interest.

(iii) The transaction would not provide Cordova any unfair competitive advantage by virtue of its affiliation or association with MidAmerican. MidAmerican proposes to enter the transaction with Cordova and pay for electric energy priced as the result of a competitive bidding process, the details of which have been filed with the Commission and which were further analyzed by an independent consultant as demonstrated in MidAmerican's filing.

(iv) The transaction is in the public interest because it provides needed generating capacity for MidAmerican and allows MidAmerican to avoid fines and penalties which may be imposed by MAPP should its generating reserves not meet MAPP standards. The public interest will be further served if the following conditions are imposed: (a) the approval of the transaction by the Commission does not guarantee recovery of MidAmerican's costs associated with the purchase power agreement in any rate proceeding; (b) demand charges that MidAmerican pays to Cordova may not be recovered through MidAmerican's fuel adjustment clause; and (c) approval of the purchase power agreement is not a finding of prudence of the amounts paid by MidAmerican for the natural gas supplied by MidAmerican to Cordova under the purchase power agreement. It is the intent of the Commission that these conditions shall be imposed as part of its determinations in this docket.

It is hereby ORDERED that the foregoing, including conditions imposed in them, shall constitute the determinations of the Commission in this docket.

Dated at Pierre, South Dakota, this _____ day of June, 2000.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By:_____

Date:_____

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION

_____
JAMES A. BURG, Chairman

_____
PAM NELSON, Commissioner

_____
LASKA SCHOENFELDER, Commissioner

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE APPLICATION OF MIDAMERICAN ENERGY COMPANY FOR DETERMINATIONS PURSUANT TO SECTION 32(k)(2)(A) OF THE PUBLIC UTILITY HOLDING COMPANY ACT	)))))	ORDER RECITING COMMISSION DETERMINATIONS EL00-006

On March 2, 2000, the South Dakota Public Utilities Commission (Commission) received an Application for Determinations Pursuant to Section 32(k)(2)(A) of the Public Utility Holding Company Act (PUHCA) from MidAmerican Energy Company (MidAmerican).

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MidAmerican in its filing provided pre-filed testimony and exhibits relative to the merits of its Application.

At its regularly scheduled meeting of June 20, 2000, the Commission considered this matter. MidAmerican appeared through its counsel of record Randall B. Palmer and explained MidAmerican's Application. Commission Staff recommended that the findings be entered with certain conditions.

Based upon the Application, the presentation of MidAmerican and the recommendations of Commission Staff, the Commission makes the following determinations:

(i) The Commission has sufficient regulatory authority, resources and access to books and records of MidAmerican and Cordova to exercise its duties under 15 U.S.C. Section 79z-5a(k)(20)(A) pursuant to SDCL Chapter 49-34A, generally, and specifically SDCL 49-34A-41, 49-34A-6. Also available to the Commission for purposes of access to records are those processes found at or implemented under SDCL 1-26-19.1, 1-26-19.2 and 15-6-26(b).

(ii) The transaction (I) will benefit customers by providing generating capacity which will allow MidAmerican to avoid reserve penalties which may be imposed by the Mid-Continent Area Power Pool (MAPP). The purchase power agreement provides an assured source of capacity and energy for the 2001-2004 period. The transaction (II) does not violate state law. South Dakota law at SDCL 49-34A-19.2 acknowledges that affiliate transactions may occur and has provided a remedy to disallow the effects of these transactions in rate cases should they not be in the public interest.

(iii) The transaction would not provide Cordova any unfair competitive advantage by virtue of its affiliation or association with MidAmerican. MidAmerican proposes to enter the transaction with Cordova and pay for electric energy priced as the result of a competitive bidding process, the details of which have been filed with the Commission and which were further analyzed by an independent consultant as demonstrated in MidAmerican's filing.

(iv) The transaction is in the public interest because it provides needed generating capacity for MidAmerican and allows MidAmerican to avoid fines and penalties which may be imposed by MAPP should its generating reserves not meet MAPP standards. The public interest will be further served if the following conditions are imposed: (a) the approval of the transaction by the Commission does not guarantee recovery of MidAmerican's costs associated with the purchase power agreement in any rate proceeding; (b) demand charges that MidAmerican pays to Cordova may not be recovered through MidAmerican's fuel adjustment clause; (c) approval of the purchase power agreement is not a finding of prudence of the amounts paid by MidAmerican for the natural gas supplied by MidAmerican to Cordova under the purchase power agreement, and (d) MidAmerican shall submit cost information relative to the PPA in its monthly FAC filing and with testimony submitted in its annual FAC reconciliation filing and such information shall be submitted substantially in the form of Schedule 1. Schedule 1 as offered by Staff at the hearing in this matter shall be incorporated herein by reference and shall be attached to this Order. It is the intent of the Commission that these conditions shall be imposed as part of its determinations in this docket.

It is hereby ORDERED that the foregoing, including conditions imposed in them, shall constitute the determinations of the Commission in this docket.

Dated at Pierre, South Dakota, this 28th day of June, 2000.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by facsimile or by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By: Delaine Kolbo

Date: 6/29/00

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

JAMES A. BURG, Chairman

PAM NELSON, Commissioner

LASKA SCHOENFELDER, Commissioner