

MIDAMERICAN ENERGY COMPANY
MARKET-BASED RATE TARIFF

Section 1: Availability

MidAmerican Energy Company (“Seller”) may sell energy and/or capacity from time to time at rates, terms and conditions established by agreement of the Parties. All such transaction shall be voluntary. Seller also may sell to purchasers the ancillary services listed in this Section 1:

a. RTO/ISO Specific

PJM: Seller offers regulation and frequency response service, energy imbalance service, and operating reserve service (which includes spinning, 10-minute, and 30-minute reserves) for sale into the market administered by PJM Interconnection, L.L.C. (“PJM”) and, where the PJM Open Access Transmission permits, the self-supply of these services to purchasers for a bilateral sale that is used to satisfy the ancillary services requirements of the PJM Office of Interconnection.

New York: Seller offers regulation and frequency response service, and operating reserve service (which include 10-minute non-synchronous, 30-minute operating reserves, 10-minute spinning reserves, and 10-minute non-spinning reserves) for sale to purchasers in the market administered by the New York Independent System Operator, Inc.

New England: Seller offers regulation and frequency response service (automatic generator control), operating reserve service (which includes 10-minute spinning reserve, 10-minute non-spinning reserve, and 30-minute operating reserve service) to purchasers within the markets administered by the ISO New England, Inc.

California: Seller offers regulation service, spinning reserve service, and non-spinning reserve service to the California Independent System Operator Corporation (“CAISO”) and to others that are self-supplying ancillary services to the CAISO.

MISO: Seller offers regulation service and operating reserve service (which include 10-minute spinning reserve and 10-minute supplemental reserve) for sale to the Midcontinent Independent System Operator, Inc. (“MISO”) and to others that are self-supplying ancillary services to MISO.

Southwest Power Pool: Seller offers regulation service and operating reserve service (which include 10-minute spinning reserve and 10-minute supplemental reserve) for sale to the Southwest Power Pool, Inc. (SPP) and to others that are self-supplying ancillary services to SPP.

b. Third Party Provider

Third-party ancillary services: Seller offers Regulation and Frequency Response Service, Reactive Supply and Voltage Control Service, Energy and Generator Imbalance Service, Operating Reserve-Spinning, and Operating Reserve-Supplemental. Sales will not include the following: (1) sales to an RTO or an ISO, i.e., where that entity has no ability to self-supply ancillary services but instead depends on third parties; and (2) sales to a traditional, franchised public utility affiliated with the third-party supplier, or sales where the underlying transmission service is on the system of the public utility affiliated with the third-party supplier. Sales of Operating Reserve-Spinning and Operating Reserve-Supplemental will not include sales to a public utility that is purchasing ancillary services to satisfy its own open access transmission tariff requirements to offer ancillary services to its own customers, except where the Commission has granted authorization. Sales of Regulation and Frequency Response Service and Reactive Supply and Voltage Control Service will not include sales to a public utility that is purchasing ancillary services to satisfy its own open access transmission tariff requirements to offer ancillary services to its own customers, except at rates not to exceed the buying public utility transmission provider's OATT rate for the same service or where the Commission has granted authorization.

Section 2: Applicability

This Tariff is applicable to all wholesale power sales, including energy, capacity, and ancillary services, that are not otherwise subject to a particular rate schedule of Seller.

Section 3: Rates, Terms and Conditions

All sales made under this Tariff shall be at rates, terms, and conditions established by agreement between the purchaser and Seller.

Section 4: Duration

This Tariff shall continue in effect until terminated or changed and such termination or change becomes effective in accordance with any applicable regulatory requirements.

Section 5: Modifications

Seller may unilaterally apply, under Federal Power Act Section 205 and the regulations promulgated thereunder, to the Commission or other regulatory agency having jurisdiction for a modification of this Tariff.

Section 6: Effective Date

This Tariff is effective upon the date authorized by the Commission.

Section 7: Limitations and Exemptions Regarding Market-Based Rate Authority

a. Mitigated Markets

Seller does not have authority under this tariff to make sales within the Nevada Power Company balancing authority area or the Sierra Pacific Power Company balancing authority area. See *Sierra Pacific Power Co.*, 95 FERC ¶ 61,193, at 61,675, reh'g dismissed, 96 FERC ¶ 61,050 (2001); see also *Sierra Pacific Power Co.*, 111 FERC ¶ 61,259, at P 21 (2005).

b. Mitigated Sales

Sales of energy and capacity are permissible under this tariff in all balancing authority areas where the Seller has been granted market-based rate authority. Sales of energy and capacity under this tariff are also permissible at the metered boundary between the Seller's mitigated balancing authority area and a balancing authority area where the Seller has been granted market-based rate authority provided: (i) legal title of the power sold transfers at the metered boundary of the balancing authority area where the Seller has market-based rate authority; and (ii) if the Seller sells at the metered boundary of a mitigated balancing authority area at market-based rates, then neither it nor its affiliates can sell into that mitigated balancing authority area from the outside. Seller must retain, for a period of five years from the date of the sale, all data and information related to the sale that demonstrates compliance with items (i) and (ii) above.

c. Exemptions

None. See *MidAmerican Energy Company*, 74 FERC ¶ 61,211 (1996).

Section 8: Compliance with Commission Regulations

Seller shall comply with the provisions of 18 CFR Part 35, Subpart H, as applicable, and with any conditions the Commission imposes in its orders concerning Seller's market-based rate authority, including orders in which the Commission authorizes Seller to engage in affiliate sales under this Tariff or otherwise restricts or limits the Seller's market-based rate authority. Failure to comply with the applicable provisions of 18 CFR Part 35, Subpart H, and with any orders of the Commission concerning Seller's market-based rate authority, will constitute a violation of this Tariff.

Section 9: Seller Category

Seller is a Category 2 seller in the Central and Northeast regions, and a Category 1 seller in the Southeast, Southwest Power Pool, Southwest, and Northwest regions, as those categories are defined in 18 C.F.R. § 35.36(a).