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January 18, 2005

BY OVERNIGHT DELIVERY

Ms. Pam Bonrud  
Executive Director  
South Dakota Public Utilities Commission  
500 East Capitol Avenue  
Pierre, SD 57502

**RECEIVED**

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**SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION**

Dear Ms. Bonrud:

On December 17, 2004, Xcel Energy ("Xcel") filed with the South Dakota Public Utilities Commission ("Commission") information regarding the Abandonment and Assumption Agreement that Xcel and MidAmerican Energy Company ("MidAmerican") have entered into, along with information regarding certain responses to questions posed by Commission Staff.

The purpose of this letter is for MidAmerican to address the rates and regulations that MidAmerican proposes to be applicable to the Xcel gas customers that will become customers of MidAmerican as a result of this transaction.

Commission Rules at ARSD 20:10:13:29 through 20:10:13:38 provide a procedure that is to be used when a part of a utility's business is transferred from the operating control of one utility to another. These rules appear to address a transfer of a block of customers on fixed tariff rates, rather than the circumstances of the Abandonment and Assumption, which involve only five current customers receiving natural gas transportation service at flexible rates and terms and conditions of service.

In order to provide for a smooth transition for these customers, and, at the same time, to be in compliance with the Commission's rules, MidAmerican proposes to adopt rates on Original Sheet No. 16 of the Northern States Power Company's ("NSP") Gas Transportation Service Tariff SDPUC NO. 1 on an interim basis and limit availability to the five customers currently served by NSP under this tariff. It is also proposed that MidAmerican's tariff terms and conditions as filed and approved by the SDPUC be immediately applicable to the five customers upon assumption of the assets; however, MidAmerican will not charge transportation customers the Application Charge required for new requests for service.

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MidAmerican further proposes to terminate the availability of this adopted tariff sheet on the earlier of:

- All five customers,
  - Executing Contracts for Service with MidAmerican pursuant to its Competitive Pricing Transportation Service (“CPTS”), SDP.U.C. Section No. III-A, or
  - Executing Contracts for Service with MidAmerican pursuant to its Competitive Sales Service (“CSS”), SDP.U.C Section No. III, or
  - Electing an available MidAmerican tariff service, such as a firm sales rate
  
- April 1, 2005.

If the customer elects to enter into a Contract for Service pursuant to Rate CPTS or Rate CSS, MidAmerican will apply a phase-in methodology to transition pricing to MidAmerican tariff. The phase in will transition the customer’s current delivery rate by annually adding one-third of the initial difference between the customer’s current NSP delivery charges and MidAmerican tariff pricing each April beginning in 2005 over a three-year period, with the third and final increment added in April 2007. At that time, all five customers will be at MidAmerican tariff pricing.

MidAmerican and Xcel Energy representatives have met with customers to explain this proposal. The customers will be able to make informed decisions to select the tariff offering or phase-in pricing based on customized rate comparisons and information on rates during the phase-in periods.

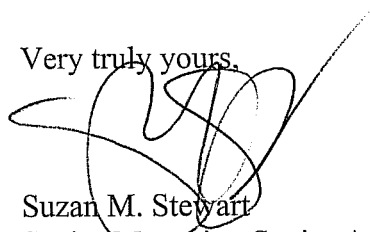
For customers opting phase-in pricing and executing a service agreement under the CPTS Rate or CSS Rate, no Commission approval of a contract with deviations is required. If a customer selects existing MidAmerican tariff services, it will take service under the applicable tariff, without need to enter into a service agreement.

MidAmerican understands that this process is not precisely the same as that contemplated for tariff adoption under the Commission’s rules ARSD 20:10:13:29-38. However, MidAmerican believes the approach set forth in this letter accommodates the Abandonment and Assumption in a manner that is in the best interests of the customers. Accordingly, MidAmerican respectfully requests the Commission approve the proposed Adoption outlined in this letter, waiving its rules as needed to allow for this transition.

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Feel free to contact the undersigned if you require any further information regarding this matter.

Very truly yours,



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