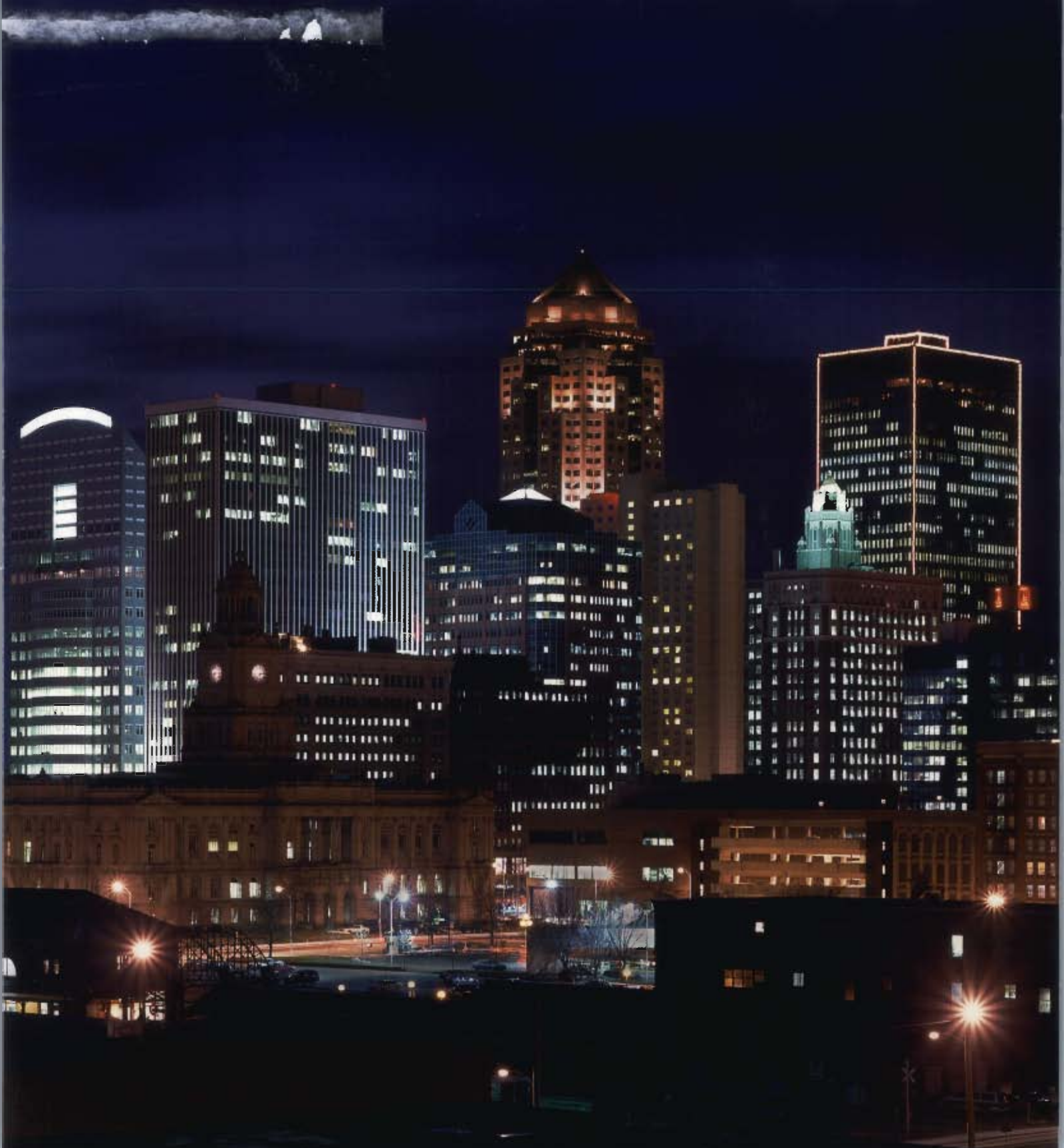


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MIDAMERICAN ENERGY HOLDINGS COMPANY

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### Earnings Per Common Share



### Year-end Dividend Rate



## BOND RATING DATA

	Moody's Investor Service	Standard & Poor's
Mortgage Bonds	A2	A+
Unsecured Medium-Term Notes	A3	A
Preferred Stocks	a3	A
Commercial Paper	P-1	A-1

## FINANCIAL HIGHLIGHTS

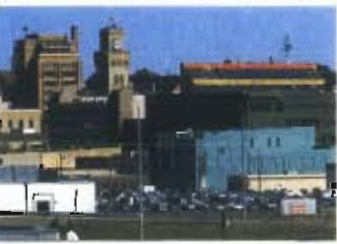
	1996	1995
<b>Consolidated Data</b>		
Operating revenues (000)	\$ 1,872,612	\$ 1,649,341
Net income (000)	\$ 131,046	\$ 122,764
Return on average common equity	10.6%	10.1%
Earnings per average common share	\$ 1.30	\$ 1.22
Average common shares outstanding (000)	100,752	100,401
Total assets (000)	\$ 4,559,283	\$ 4,470,097
<b>Utility Operations</b>		
Operating revenues (000)	\$ 1,635,761	\$ 1,554,235
Electric sales (millions of kWh)	22,000	20,507
Summer peak load (MW)	3,537	3,553
Natural gas throughput (000 MMBtu)	155,603	150,438
Utility construction expenditures (000)	\$ 154,198	\$ 190,771





## **MIDAMERICAN ENERGY HOLDINGS COMPANY IS A UTILITY HOLDING COMPANY**

headquartered in Des Moines, Iowa. The Company has three subsidiaries: MidAmerican Energy Company, MidAmerican Capital Company and Midwest Capital Group, Inc. MidAmerican Energy Holdings has assets of \$4.6 billion and annual revenues of \$1.9 billion.



### **Sioux City**

MidAmerican's energy delivery group and various support functions are based in Sioux City, located on Iowa's western border.

MidAmerican Energy, Iowa's largest utility, provides electric and natural gas service in a 10,600-square-mile area with a population of 1.7 million. The service area includes much of Iowa and portions of Illinois, Nebraska and South Dakota. The largest communities served by MidAmerican are Des Moines, Cedar Rapids, Sioux City, Waterloo, Iowa City and Council Bluffs, Iowa, the Quad-Cities area of Iowa and Illinois, and Sioux Falls, South Dakota. MidAmerican provides service to 642,000 electric customers and 610,000 natural gas customers.

MidAmerican Capital has assets of \$733 million in nonregulated businesses and investments. Operating subsidiaries of MidAmerican Capital are: AmGas Inc., InterCoast Power Marketing Company, InterCoast Trade & Resources, Inc., Cornhusker Railcar Services, Inc. and UNITRAIN, Inc. MidAmerican Capital has investments in telecommunications companies and a portfolio of passive investments. Midwest Capital is a regional business development company with assets of \$62 million.



### **Quad Cities**

The electric generation and customer service groups are based in Davenport, part of the Quad-Cities area of Iowa and Illinois.

MidAmerican Energy Holdings Company has 66,000 shareholders living in all 50 states and 30 foreign countries and 3,600 full-time employees. The Company's trading symbol on the New York Stock Exchange is MEC. In addition to headquarters in Des Moines, the Company has management offices in Davenport, Iowa, and Sioux City, Iowa. Information on MidAmerican is available on the Internet at <http://www.midamerican.com>.

**TO OUR SHAREHOLDERS:** As we reflect on the substantial changes accomplished in 1996 and our goals for the future, we are confident that MidAmerican Energy Company is pursuing a strategy that will position the Company for success in the rapidly changing energy industry.

We are intent on becoming the leading provider of energy and complementary services in the areas we presently serve and the surrounding region. From our strong base of operations in Iowa, we are committed to furthering the growth and success of the communities we serve, to providing an expanded range of products and services to our customers and to obtaining new markets for further growth.

Consistent with this strategic direction, we have begun to build a stronger marketing organization and have initiated the restructuring of our nonregulated assets. The latter step, which includes divestiture of certain assets, is necessary to align nonregulated activities with our basic strategy and to provide the financial resources to invest in regional growth opportunities.

Our efforts in 1996 were focused on six primary goals:

- Re-establishing a smoothly functioning organization following the 1995 merger that formed MidAmerican.
- Renewing and improving relationships with our large customers, and developing ways to address all customer issues promptly and effectively.
- Improving our earnings and dividend payout ratio.
- Realizing improvement in our common stock price.
- Making significant progress in the regulatory area to better position MidAmerican for competition.
- Achieving relief from government-mandated costs, also to improve our competitive position.

First, our financial performance. Earnings per share for 1996 increased 6.6 percent to \$1.30, compared with \$1.22 per share for 1995. Although we had hoped to achieve greater improvement, the divestment of oil and gas production operations and adjustments to the value of other nonregulated investments, resulted in a charge to earnings in 1996 of 21 cents per share. The sale of InterCoast Oil and Gas Company to KCS Energy, Inc., completed early in 1997, yielded after-tax proceeds of \$180 million.

Retail natural gas sales increased, largely due to very cold weather that occurred both early and late in 1996. However, the substantially cooler-than-normal summer weather reduced the growth in retail electric sales, which increased 2 percent, compared with 1995. Customer growth continued in our service territory. During 1996, we added 6,900 electric customers and 9,200 natural gas customers. While the increased earnings resulted in some improvement in the dividend payout ratio, further improvement is needed.



Russell E. Christiansen  
*Chairman*



The uncertainties associated with the outcome of regulatory activity in Iowa and Illinois have resulted in concerns on the part of investors regarding the Company's future earnings and dividend growth prospects. These concerns contributed to the relative weakness in our common stock price in 1996. With a year-end 1995 closing price of 16  $\frac{3}{4}$ , the price continued to improve for a brief period during 1996 to the \$18-\$19 range before declining to \$15  $\frac{7}{8}$  at year-end. The settlement of our electric regulatory plan in Iowa, announced in January 1997, and discussed below, substantially lessened the degree of these uncertainties. Our ability to achieve sustained earnings progress is essential to future dividend growth and stock price improvement.

During 1996, we continued the restructuring of MidAmerican to more effectively meet customer needs and prepare for competitive markets. A key restructuring step was the formation of our new holding company, MidAmerican Energy Holdings Company. Under the new corporate structure, MidAmerican will have increased flexibility to operate more effectively as competition increases. The three wholly owned subsidiaries under our holding company are: MidAmerican Energy Company, which conducts our electric and natural gas utility operations, and MidAmerican Capital Company and Midwest Capital Group, Inc., which are involved in nonregulated businesses and economic development.

Last summer, we established a new marketing business group by combining separate electric and gas marketing organizations. This change has already led to significant advances in our relationships with large customers. In November, we announced further changes in our organization to achieve improved efficiency and economy, and an enhanced quality of customer service. These more recent changes included the formation of a single energy delivery unit, combining the formerly separate electric and gas energy delivery operations, and the combination of the information technology and customer service groups.

These new groups report to Ronald W. Stepien, who was elected executive vice president-marketing and energy delivery. The more complete integration of these critical parts of our Company is essential to our ability to meet customers' total energy needs. Increasingly, customers tell us they want comprehensive energy service, not individual electric and natural gas services.

Early in 1996, we made a substantial commitment to a new, state-of-the-art customer information system for MidAmerican. This system, which will be fully operational in 1998, will greatly enhance our ability to effectively respond to customers.

MidAmerican is a major investor in a full-service telecommunications company, McLeod, Inc., based in Cedar Rapids, Iowa. During 1996, we also invested



Stanley J. Bright  
*President and  
Chief Executive Officer*



in RACOM, a Marshalltown, Iowa-based company and regional leader in mobile communications, and AAA Security Systems, Inc., a Des Moines-based provider of security services. To better serve customers and to have the flexibility to succeed in highly competitive markets, we must take full advantage of information and communications technologies.

In an additional organizational change in 1996, we formed a separate power generation business unit in order to more effectively support the future development of this segment of our energy business.

During 1996, the movement toward competitive markets in the electric industry accelerated. Virtually every state is trying to determine how and when to replace regulated markets with competitive markets. We are working within the regulatory and legislative arenas in the states we serve and at the federal level in Washington, D.C. to help shape the new electric market.

We achieved a major goal in 1996 when the Iowa Legislature amended the energy efficiency law to permit greater plan flexibility and to eliminate the spending mandate for energy efficiency programs. This type of mandate would be a major disadvantage for MidAmerican if other energy suppliers who did not face this requirement could compete with us.

Also last year, we filed an innovative electric regulatory plan that was designed to achieve an orderly transition of our prices toward the levels we expect in a competitive environment. The plan also will provide flexibility which is needed to deal with industrial and commercial customers as competition intensifies. We filed the plan with regulatory agencies in Iowa and Illinois. As of this writing, a modified version of our plan is pending before the Iowa Utilities Board. This plan includes the key elements of our original proposal, and reflects agreements we have reached with the Office of the Consumer Advocate and other interested groups. The Illinois Commerce Commission did not consider the merits of our plan, but instead conducted a traditional rate-reduction proceeding that resulted in a two-step electric rate reduction for our Illinois customers.

As we work to improve our financial performance and competitive position, we will continue to pursue achievement of these longer-term goals:

- Achieve a total return to shareholders (the combination of annual dividends and stock price changes) at the top quartile industry level.
- Reach an industry leadership position in service quality and price.

### **A Message from Russell E. Christiansen**

The challenge of summarizing one's thoughts on the occasion of retirement from a 38-year career in the utility industry might be daunting if there were a sense of ambivalence. Such is not the case with me. The quality of life for the customers we serve is better because of the good work we do. There has been plenty of change and challenge in 38 years, and we are on the verge of even more dramatic change, as an era of competitive energy markets is about to unfold. MidAmerican Energy Company is a product of these changes, and the process of shaping a new company has been a rewarding experience.

The most satisfaction of my career has been to work with employees who uphold the traditions of service to our customers. Their performance is exemplary and at times heroic. I am proud to have been able to spend a career working and associating with them. It has indeed been good work.





- Redefine our markets for, and the ranges of, our products and services, leading to improved growth prospects through increased market share and breadth of market services.
- Effectively address information technology issues that will be critical to our ability to take advantage of competitive opportunities.
- Substantially complete the process of dealing with regulatory and legislative issues that must be addressed in the transition to competitive markets.
- Continue to implement strategic changes needed to maintain an industry leadership position.

To achieve these goals, we rely on a skilled and experienced group of employees. During 1996, they again demonstrated their ability to provide outstanding service to customers and shareholders.

As we move toward the highly competitive energy markets that we expect in the future and continue to deal with the difficult decisions that are associated with this transition, the demands on our Board of Directors continue to be significant. Their contribution to our Company is very much appreciated.

In a competitive environment, it will be essential that our customers distinguish MidAmerican from other energy providers. An important step toward this end is to establish a brand personality. Through advertising that begins in 1997, MidAmerican is beginning the process of creating a distinctive brand that will help encourage customers to choose the Company as their energy provider.

Our industry is undergoing fundamental and historic transformation, which is occurring at a faster pace than was predicted only a few years ago. To succeed in this environment we cannot simply react and follow; we must anticipate and lead. This is what we are doing and will continue to do. We very much appreciate your investment in MidAmerican, and we are committed to the provision of greater value for your investment in the Company.



Russell E. Christiansen  
*Chairman*

Stanley J. Bright  
*President and  
Chief Executive Officer*



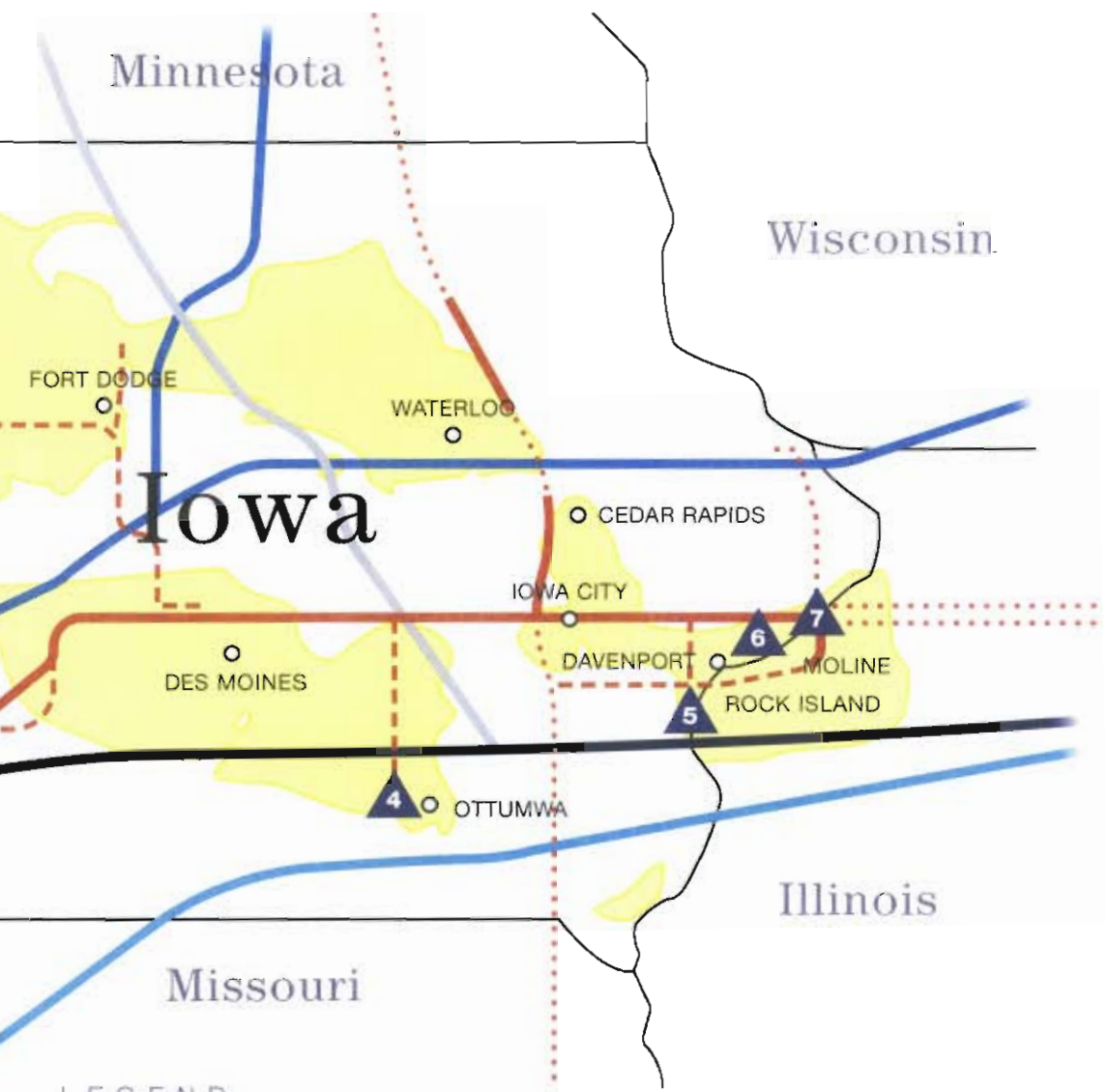
MidAmerican Energy Company provides electric and natural gas service to 1.25 million customers in a 10,600-square-mile territory from Sioux Falls, South Dakota to the Quad-Cities area of Iowa and Illinois.

MidAmerican meets the needs of its electric customers with 4,378 megawatts of generating capability: 65 percent fueled by coal, 18 percent by nuclear and 17 percent by natural gas/oil. Production costs at our coal-fired generating stations are lower than regional and national averages. More than 4,100 miles of transmission lines (69 kV and above) connect MidAmerican's generation facilities with distribution substations and provide interconnections with five surrounding states.

Three of the four interstate natural gas pipelines supplying Iowa serve MidAmerican. In 1996, MidAmerican constructed a 62-mile pipeline in eastern Iowa that links the Northern Natural Gas pipeline to the Quad-Cities area. MidAmerican also owns five liquefied natural gas and liquefied propane facilities that can provide additional supplies to meet customer needs.







LEGEND :

Interstate Natural Gas Pipelines Serving Iowa:

- Northern Border Pipeline Company
- ANR Pipeline Company
- Northern Natural Gas Company
- Natural Gas Pipeline Company of America

Electric Transmission Lines (345 kV):

- MidAmerican Energy
- Other Utility
- Jointly Owned Lines

Major Generating Facilities:

- ▲ 1 Neal Generating Stations
- ▲ 2 Council Bluffs Energy Center

- ▲ 3 Cooper Nuclear Station
- ▲ 4 Ottumwa Generating Station
- ▲ 5 Louisa Generating Station
- ▲ 6 Riverside Generating Station
- ▲ 7 Quad Cities Nuclear Power Station

## **THE UTILITY INDUSTRY IS UNDERGOING FUNDAMENTAL RESTRUCTURING**

that is transforming significant portions of the traditional rate-regulated environment to competitive markets. Deregulation of the natural gas industry has been underway for more than a decade, and change within the electric industry is accelerating. This dramatic change is being driven by many factors, including: changes in utility laws and regulations, advances in technology, price pressure and the perceived success in deregulating other industries. Eventually, retail customers will be able to choose their energy providers.

*In this section of the MidAmerican annual report, we answer some of the frequently-asked questions about changes in the industry, how MidAmerican is positioning itself for competitive markets and how we are working to add value for shareholders and customers.*

### **POSITIONING FOR COMPETITION**

#### **What is the status of electric industry restructuring, regionally and nationally?**

Many states, including three states we serve – Iowa, Illinois and South Dakota – are studying how and when to begin retail electric competition. The Iowa Utilities Board heard extensive public comment at town meetings held in 1996, but decided against making recommendations on retail competition to the 1997 Iowa Legislature. In Illinois, a legislative task force has submitted a report to the General Assembly summarizing three proposals expected to be introduced in 1997. MidAmerican is a member of the Illinois Coalition for Responsible Electricity Choice, a group that will sponsor one of these proposals. The Coalition-backed proposal would begin retail choice pilot projects throughout Illinois in 1998 and phase in competition for all customers between the years 2000 and 2005.

Pressure for competition in the electric industry is particularly strong in states that have relatively high electric prices, such as California and New Hampshire. Full retail competition is scheduled to begin in New Hampshire in 1998.

Several bills are expected to be introduced in Congress in 1997 that would require competitive elec-

tric markets by certain dates. MidAmerican believes congressional action will be needed to ensure that the new markets for electricity are open to all suppliers at the same time in an equitable manner.

#### **Who decides when customers can choose their electric and natural gas suppliers?**

It is likely to be a combination of state utility regulators, state legislatures, the Congress and the Federal Energy Regulatory Commission (FERC). The competition to supply large business customers is well underway in the natural gas industry, and test projects are being conducted to see how industrial, small business and residential customers respond when given choices among natural gas and electricity suppliers. The National Energy Policy Act of 1992 opened the electric generation business to wholesale competition, and in 1996, FERC issued rules governing wholesale competition in the transmission of electricity.

#### **What factors are important for MidAmerican to be a strong competitor?**

**CUSTOMER FOCUS.** When retail customers can choose their energy provider, they are likely to favor suppliers who most effectively tailor products and





services to their needs while rejecting those who offer generic, one-size-fits-all products and services. MidAmerican is listening to customers in order to effectively meet their energy-related needs.

**QUALITY SERVICE.** MidAmerican is improving processes that are involved in serving customers. A state-of-the-art customer information system to improve communications with customers will be in place within two years. The use of new mobile data terminals also will improve service response.

**PRICE.** Customer surveys show that price will be a leading factor, particularly in choosing an electricity supplier. MidAmerican is aligning costs, products and services with pricing levels that will attract and retain customers in the competitive marketplace.

**SKILLED EMPLOYEES.** MidAmerican's success will depend largely on the skill and experience of its employees. The Company emphasizes continuing education to ensure high-quality service to customers.

**FLEXIBILITY.** The competitive marketplace is likely to produce unexpected situations and opportunities that require quick response. MidAmerican is designing systems and procedures to enhance the Company's ability to respond quickly to customer needs.

#### **Who does MidAmerican see as competition?**

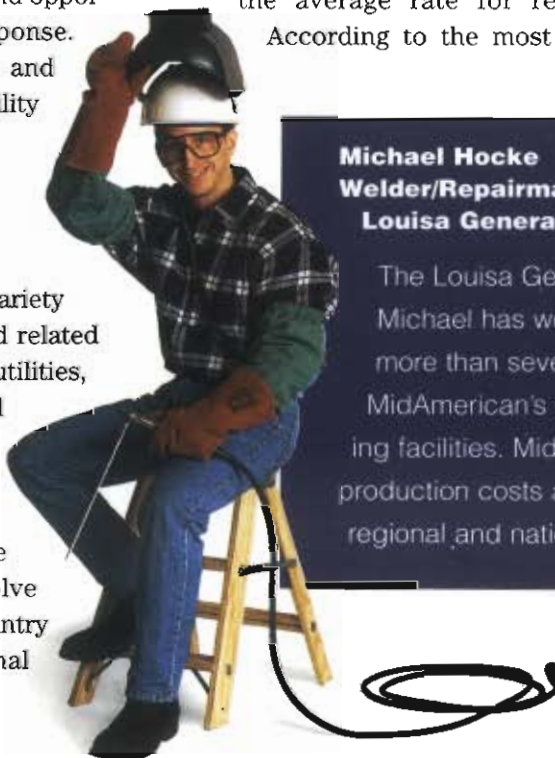
Retail competition will lead to a greater variety of suppliers of natural gas, electricity and related services. In addition to investor-owned utilities, competitive market participants will include independent power producers, marketers, energy brokers and alliances that may not exist today. While some pending utility mergers seek to combine neighboring companies, others involve companies at opposite ends of the country that are seeking to establish national marketing bases.

#### **Is MidAmerican in position to be a strong competitor?**

Based on both regional and national comparisons, MidAmerican is well-positioned for the competitive marketplace. Electric production costs for 1995 at MidAmerican's six coal-fired generating stations were 1.32 cents per kilowatthour. This average cost is lower than the average for utilities in the Mid-Continent Area Power Pool region and across the U.S., according to the Utility Data Institute. Low electric production costs will give MidAmerican a competitive edge over owners of generating facilities that have higher production costs.

MidAmerican has a diversified, low-cost natural gas supply portfolio. Transportation service to the MidAmerican gas distribution system is provided from three interstate gas pipelines. Supply is also provided from company-owned liquefied natural gas and liquefied propane facilities. These gas supply options ensure that MidAmerican has choices in its gas supplies. A significant measure of MidAmerican's strong competitive position in natural gas is the average rate for residential customers.

According to the most recent report of the



**Michael Hocke  
Welder/Repairman,  
Louisa Generating Station**

The Louisa Generating Station, where Michael has worked for more than seven years, is one of MidAmerican's six coal-fired generating facilities. MidAmerican's coal-fired production costs are below both regional and national averages.

National Association of Regulatory Utility Commissioners, MidAmerican's average residential price is 20 percent lower than the national average price.

**Can you give examples of MidAmerican's experience with competition?**

In December 1996, MidAmerican was selected from among 20 potential wholesale suppliers to provide electricity for the Resale Power Group of Iowa (RPGI), an organization of 27 municipal utilities, one rural electric cooperative and one investor-owned utility. RPGI members serve approximately 27,000 customers. MidAmerican will provide electricity to the utilities for five years, beginning Jan. 1, 1999.

MidAmerican's winning proposal features a price for electricity that is expected to provide substantial savings to RPGI members, compared with their present contract with IES Utilities. In addition, MidAmerican offers to provide a variety of energy-related services to the RPGI members, including substation maintenance,

energy efficiency programs and economic development assistance.

On the natural gas side, MidAmerican hosted a one-year test project in Rock Valley, Iowa that provided customers a choice among three natural gas suppliers. The project, which began Nov. 1, 1995, was the first of its kind in the country. From this project, MidAmerican confirmed that pricing is the key issue in a competitive natural gas market.

**What will MidAmerican do to improve its competitive position in 1997 and beyond?**

We continue to reshape our organization to ensure that our generation and retail services operate successfully in a competitive marketplace, and to ensure that services that continue to be regulated – primarily energy delivery services – are provided reliably, efficiently and at reasonable cost. Our core mission is to become the regional leader in providing energy and complementary services. The unified marketing and sales unit we established in 1996 will provide a single point of contact for customers on all products and services. MidAmerican is seeking growth through the provision of a broader range of products and services to customers within and beyond our traditional service territory. MidAmerican will continue working to improve its competitive position by: (1) reducing its unit costs of energy, (2) reducing other costs of operations and administration and (3) investing in the technologies and alliances required to provide competitive products and services.

We will continue to pursue regulatory and legislative changes that are needed to enable our electric and gas operations to compete in changing markets. This includes seeking final regulatory approval in Iowa of our electric pricing proposal. We will continue the incentive gas supply program launched in 1996. In this program, regulators in Iowa and South Dakota allow the Company to realize a contribution to earnings from its gas supply operations – for the first time – if costs are kept below an industry benchmark.

**Pat Roethler  
Community Developer,  
Charles City**

As a community developer, Pat is a direct link to MidAmerican's service area communities. She works with community leaders to develop financial packages and secure resources to attract new business to the service area and encourage the growth of existing businesses. In 1996, MidAmerican's economic development efforts created or retained 3,375 jobs.







In 1996, we were successful in arguing for elimination of a state-mandated program that would, if continued, put MidAmerican at a competitive disadvantage with other energy suppliers. The Iowa Legislature eliminated the energy efficiency spending requirement that affected MidAmerican and other investor-owned utilities in Iowa.

The focus of our 1997 legislative program in Iowa is on replacement of the property tax system for investor-owned utilities. Currently, our industry has a greater tax burden than other industries operating in Iowa. Without change, this tax system is a competitive disadvantage for MidAmerican.

#### **What is the status of MidAmerican's innovative electric pricing plan for Iowa and Illinois?**

On June 4, 1996, we filed the plan with the Iowa Utilities Board (IUB) and the Illinois Commerce Commission (ICC). The plan offered an innovative method of setting electric prices and the rate of return the Company is permitted to earn. As of mid-February 1997, an agreement that contains the key elements of the MidAmerican plan and reflects input from consumer organizations is pending before the IUB. A decision on the agreement is expected by June 1997.

The agreement provides for additional residential price reductions through June 1998, and after a small increase, essentially stable prices for business customers over a three-year period. As part of the original pricing plan, MidAmerican reduced prices for most Iowa residential customers by 3 percent in November 1996.

One of the key elements in the agreement is new flexibility for MidAmerican to negotiate pricing arrangements with customers. This is particularly important as MidAmerican meets the complex energy needs of business customers. The agreement filed with the IUB also allows for a sharing of Iowa electric jurisdictional earnings above a 12 percent return on equity with our customers.

In Illinois, MidAmerican withdrew the voluntary plan after the ICC initiated a traditional rate reduc-

#### **Donnie Dunbar Customer Information System Project Team, Des Moines**

Donnie is part of a 23-member team designing and implementing a new customer information system. The new system will be flexible enough to support new product and service lines and will allow for better use and management of customer information – both of which are key to adapting to a competitive environment.



tion proceeding, which resulted in a \$13.1 million electric rate reduction in 1996 and an additional \$2.4 million reduction for June 1997. The outcome in Illinois was disappointing because the Illinois General Assembly had approved legislation in 1996 that gave the ICC authority to approve alternative plans for electric regulation. The ICC did not consider the merits of the MidAmerican plan.

#### **How did MidAmerican's generating stations perform in 1996?**

A number of production records were set in 1996. Council Bluffs Energy Center Unit 3 and the Louisa Generating Station both set records for net generation. These same units, plus Neal Generating Station Unit 1 set records for total coal burned. The Cooper Nuclear Station, which sells one-half of its energy to MidAmerican under a long-term contract, set a record in 1996 for total energy generated. Also in 1996,

MidAmerican sold more than 6 million megawatt-hours in off-system energy sales. As part of MidAmerican's continuing environmental compliance, the Company installed new equipment at two coal-fired generating stations to further reduce nitrogen oxide emissions.

## REDESIGNING SERVICE DELIVERY

### How is MidAmerican enhancing service to customers?

Late in 1996 we organized a single energy delivery group, combining the former separate gas and electric delivery operations. The group is headed by Beverly A. Wharton, senior vice president-energy delivery. The single energy delivery group aligns energy delivery operations with the combined marketing organization.

MidAmerican is making investments that strategically position the Company to take advantage of state-of-the-art communications technologies designed to improve customer service. For example, new equipment installed at MidAmerican call centers early in 1997 more effectively connects customers to available service representatives. The new customer information system, scheduled

to be in service in 1998, will replace outdated technology, and will allow MidAmerican service representatives to provide more complete and timely information to customers. We are installing new mobile data terminals and radio communications equipment to improve the efficiency of our personnel who are responding to customer needs in the field. An effective communications system is critical to our ability to deliver a full range of energy-related products and services.

Customers can transact most of their business with MidAmerican by telephone, 24 hours a day. In addition, bill payments can be made by mail, by automatic checking account deduction or at pay stations and customer offices. These options provide customers convenience and flexibility.

To ensure that the new customer information system and other technology investments are fully aligned with customer service needs, customer service information systems and communications technology now report to a single senior officer, David J. Levy, senior vice president-technology and customer service.

Other service improvements include a new natural gas pipeline between Dubuque and Davenport, Iowa, that provides another supply source, Northern Natural Gas, for MidAmerican customers in Davenport and surrounding areas. The 62-mile pipeline, completed in 1996, is expected to enable the Company to realize reductions in gas costs that can be passed on to customers.

### What type of new products and services will MidAmerican provide?

The connections we have with customers' homes and businesses will form the basis for the products and services we offer. With the acquisition of AAA Security Systems, Inc. in 1996, MidAmerican can offer security services to customers. In 1996, MidAmerican launched Extended Service Protection (ESP) on a test basis in Sioux Falls, South Dakota.



**Bruce Ruff**  
Electric Lineman, Red Oak Service Center

Bruce has worked on MidAmerican's electric lines for more than eight years. MidAmerican has 26 electric service centers strategically located throughout the service area for quick response to service interruptions and customer needs.





**John Cappello**  
Vice President -  
Marketing & Sales,  
Des Moines

MidAmerican has established a new unified marketing and sales organization headed by John, a veteran marketing executive who joined the Company from the telecommunications industry. The marketing business unit will be responsible for developing new or improved products and services to enhance opportunities for growth.

ESP offers customers several options to purchase additional appliance protection. Service and repair work under ESP contracts with our customers is done by local appliance dealers and contractors under contract with MidAmerican.

#### **How does MidAmerican meet the special needs of the largest business customers?**

These customers – including manufacturers, processors, major retailers, hospitals and schools – represented 4.6 percent of natural gas sales and 39.7 percent of our electric sales in 1996. MidAmerican has energy services personnel specifically assigned to each of these customers to meet their unique energy supply and service reliability needs. By working as their energy partner, MidAmerican is able to help these customers find ways to use energy more efficiently and, as a result, realize cost savings.

#### **How do we learn more about our customers' needs?**

In addition to personal contact, MidAmerican conducts extensive research that involves in-depth interviews with customers. Through this type of research, we gain valuable insight into the factors that customers consider in determining how satisfied they are with our Company and what new products and services they want. Increasing customer loyalty by improving customer satisfaction is a priority for MidAmerican. Understanding customer perceptions and opinions is increasingly important as we move from regulated to competitive markets.

## **GROWING INVESTOR VALUE**

### **What is MidAmerican doing to create shareholder value?**

We measure the creation of shareholder value in terms of the total return to our shareholders. Total return reflects the sum of (1) our annual dividend and (2) the changes in our stock price. We aim to create shareholder value by focusing on our core mission to be a leading regional provider of energy and complementary services.

By establishing MidAmerican as a leading service provider, we expect to gain customers, improve our financial performance and increase the value of shareholder investments. We continue to restructure our nonregulated businesses to align them with our core mission.

### **What is the outlook for dividend growth?**

The MidAmerican board of directors established the annual quarterly dividend at 30 cents per share (indicated annual dividend of \$1.20 per share) at the time of the merger that formed MidAmerican. With the impending arrival of competitive markets and the added risks associated with competition, it is imperative the Company reduce its dividend payout ratio. Accordingly, any increase in the current indicated annual dividend of \$1.20 per share must be preceded by earnings improvement and resulting improvement in the dividend payout ratio.



**Kathryn Curran  
Legislative Communications  
Coordinator, Des Moines**

Kathryn joined MidAmerican last year in a newly created position, legislative communications coordinator. MidAmerican is working hard to achieve legislative and regulatory changes it believes are necessary to do business in a competitive marketplace. During the 1996 session, we achieved one of our goals when the Iowa Legislature voted to eliminate spending mandates for energy-efficiency programs.

**What factors influence our stock price?**

Stock price is affected by many factors, including perceptions in the financial market of our prospects for future growth and profitability. Utility stocks today are particularly influenced by perceptions of how well utilities will make the transition to competition, and concerns over the regulatory climate in the states in which they operate. Expectations in regard to future interest rates also influence utility stock prices. Higher interest rate expectations generally lead to declines in utility common stock prices.

**What impact will a more competitive marketplace have on financial performance?**

Many financial analysts are concerned about increased risk resulting from the shift from regulated to competitive pricing. A competitive market will create downward pressure on prices as new suppliers attempt to gain market share. At this somewhat early and uncertain stage, it is impossible to predict how much a restructured electric industry

will impact our financial results. What the electric market will look like is not yet defined. However, MidAmerican is active in the legislative and regulatory arenas at the state and federal levels in an effort to help shape the new market environment. We are seeking assurance that government-mandated costs that would put MidAmerican at a competitive disadvantage with other energy suppliers will be fairly addressed. We know from the largely deregulated natural gas market that the ability to competitively price our products and services is a key to success. This experience will help us with the transition from regulated pricing to pricing determined by competition in electric markets.

**What are MidAmerican's priorities for investing in nonregulated businesses?**

These investments must be aligned with the Company's core mission to be the leading regional provider of energy and complementary services. In 1996, MidAmerican began a major repositioning of its nonregulated businesses and investments. This process will continue in 1997. Significant progress was made in 1996 with the sale of our oil and gas business, InterCoast Oil and Gas.

Under our MidAmerican Capital Company subsidiary, we operate businesses involved in electric and natural gas marketing and railcar repair and management. MidAmerican Capital also maintains a substantial passive investment portfolio. Midwest Capital Group, another subsidiary, oversees our regional economic development efforts and property investments, including the Dakota Dunes planned community in South Dakota near Sioux City, Iowa.

**STIMULATING REGIONAL GROWTH**

**What is MidAmerican doing to promote business expansion in our region?**

Our economic development staff delivers a full range of business expansion and site selection services to businesses that locate new jobs and investment in the MidAmerican service territory.





Today's fast business location decisions require a ready supply of available buildings and sites. MidAmerican has a national marketing campaign that highlights available commercial and industrial buildings and sites in our territory. To promote location of business in the areas we serve, MidAmerican has earmarked \$3.5 million for low-interest loans to local development organizations to develop and promote available industrial buildings.

The growth in exports of processed and manufactured goods from our service territory is significant. MidAmerican contributes to this growth by providing export market information, market reports and trade leads to interested companies and organizations. This information can be accessed online by visiting MidAmerican's Web site, <http://www.midamerican.com>.

#### **What kind of business expansions and new locations are taking place?**

Some of the most significant new business locations include: Bunge's \$100 million soybean oil refinery in Council Bluffs, Ryder Integrated Logistics' new distribution center that will serve the Deere & Co. Waterloo assembly plant, a Hunt-Wesson Foods Swiss Miss brand dessert plant in Waterloo's new MidPort America business park and OSI's 600-employee pork processing plant at Oakland, Iowa.

Business expansions within our service territory during the past year include Ag Processing, Inc.'s announcement of two plants in western Iowa, Tone's Spices' expansion near Des Moines, new offices for Pioneer Hi-Bred International in Des Moines, and a new soybean seed processing plant in rural Cherokee County, Iowa. IPSCO Steel also expanded its Camanche, Iowa, steel fabrication plant.

Large-scale projects of note include 3M Company's \$125 million expansion of its Illinois adhesives plant, the \$25 million expansion of Terra Industries in Sioux City, start-up of the \$110 million Guardian Glass production facility at DeWitt, Iowa, and new office buildings in Des Moines for Principal Financial Group, EMC Insurance Companies and Equitable of Iowa that have a combined value of more than \$130 million. Nordstrom's, a department store,

is building a 300,000-square-foot distribution center in Cedar Rapids, and IBP, inc. is constructing a new international headquarters at Dakota Dunes, South Dakota. Development of the Mississippi riverfront at Moline, Illinois, continues with a new Radisson Hotel, and in Iowa City, construction of a 1 million-square-foot shopping mall is underway.

#### **How is the economy performing in the MidAmerican service territory?**

By nearly all measures, the economy is strong. Iowa and South Dakota continue to register unemployment rates well below the national average, 3.3 percent in Iowa and 2.9 percent in South Dakota. Iowa's personal income is forecast to grow faster than the national average through 1997. Iowa's manufacturing exports increased substantially in 1996, compared with 1995.

#### **Is MidAmerican's customer base growing?**

We continue to see modest, steady growth. In 1996, MidAmerican added 6,900 electric customers and 9,200 natural gas customers.

#### **Janice Eidsness Gas Meter Reader, and friend, Sioux Falls**

Janice has been reading meters in Sioux Falls for 15 years. MidAmerican serves roughly 30 communities in South Dakota including Sioux Falls, one of the more vibrant economic growth centers in the Company's service area.



**DIRECTORS**

John W. Aalfs  
*Sioux City, Iowa*  
*President, Aalfs*  
*Manufacturing, Inc.*  
 (56/8)

Stanley J. Bright  
*Des Moines, Iowa*  
*President and CEO,*  
*MidAmerican Energy*  
*Holdings Company*  
 (56/10)

Robert A. Burnett  
*Des Moines, Iowa*  
*Retired Chairman,*  
*Meredith Corporation*  
 (69/13)

Ross D. Christensen  
*Waterloo, Iowa*  
*Orthodontist in Private Practice*  
 (56/14)

Russell E. Christiansen  
*Dakota Dunes, South Dakota*  
*Chairman, MidAmerican*  
*Energy Holdings Company*  
 (61/37)

John W. Colloton  
*Iowa City, Iowa*  
*Vice President, Statewide*  
*Health Services,*  
*University of Iowa*  
 (66/4)

Frank S. Cottrell  
*Moline, Illinois*  
*Vice President, General Counsel*  
*and Secretary, Deere & Company*  
 (54/4)

Jack W. Eugster  
*Minneapolis, Minnesota*  
*Chairman, President and*  
*CEO, Musicland Stores Corp.*  
 (51/9)

Mel Foster, Jr.  
*Davenport, Iowa*  
*Chairman, Mel Foster Co., Inc.*  
 (69/24)

Nolden Gentry  
*Des Moines, Iowa*  
*Partner, Law Firm of Brick,*  
*Gentry, Bowers, Swartz, Stoltze,*  
*Schuling & Levis, P. C.*  
 (59/13)

James M. Hoak, Jr.  
*Dallas, Texas*  
*Chairman, Heritage Media Corp.*  
 (53/13)

Richard L. Lawson  
*Washington, D.C.*  
*President and CEO, National*  
*Mining Association and*  
*General USAF (Ret.)*  
 (67/8)

Robert L. Peterson  
*Dakota City, Nebraska*  
*Chairman, President*  
*and CEO, IBP, inc.*  
 (64/6)

Nancy L. Seifert  
*Cedar Rapids, Iowa*  
*Executive Vice President*  
*James F. Seifert & Sons L.L.C.*  
 (67/11)

W. Scott Tinsman  
*Davenport, Iowa*  
*Co-owner and Vice President,*  
*Twin-State Engineering and*  
*Chemical Company*  
 (64/8)

Leonard L. Woodruff  
*Fort Dodge, Iowa*  
*President, Woodruff*  
*Construction*  
 (68/24)

During 1996, William C. Fletcher of Cedar Rapids, Iowa, and Richard A. Schneider of Sheldon, Iowa, retired from the Board of Directors and Betty T. Asher of Vermillion, South Dakota, resigned. Richard C. Engle retired as Executive Vice President of MidAmerican after 31 years of service to the Company. We appreciate the outstanding leadership these individuals have provided to our Company.





## OFFICERS

Russell E. Christiansen  
*Chairman*  
(61/37)

Stanley J. Bright  
*President and CEO*  
(56/10)

Lynn K. Vorbrich  
*Executive Vice President*  
(58/24)

Ronald W. Stepien  
*Executive Vice President-  
Marketing and Delivery*  
(50/6)

David J. Levy  
*Senior Vice President-  
Technology and Customer Service*  
(42/20)

Philip G. Lindner  
*Senior Vice President and  
Chief Financial Officer*  
(53/8)

John A. Rasmussen, Jr.  
*Senior Vice President and  
General Counsel*  
(51/10)

Stephen E. Shelton  
*Senior Vice President-  
Generation*  
(49/26)

Beverly A. Wharton  
*Senior Vice President-  
Energy Delivery*  
(43/20)

Jack L. Alexander  
*Vice President-  
Human Resources*  
(49/24)

James Averweg  
*Vice President-  
Engineering and  
Operations Support*  
(50/26)

James R. Bull  
*Vice President-Generation*  
(55/21)

John J. Cappello  
*Vice President-  
Marketing and Sales*  
(50/1)

Brent E. Gale  
*Vice President-  
Law and Regulatory Affairs*  
(45/20)

Keith D. Hartje  
*Vice President-  
Corporate Communications*  
(47/21)

Stephen E. Hollonbeck  
*Vice President-  
Field Operations*  
(47/10)

James J. Howard  
*Vice President-  
Energy Supply and  
Administration*  
(54/32)

Paul J. Leighton  
*Vice President and  
Corporate Secretary*  
(43/18)

Dennis H. Melstad  
*Vice President-  
Diversified Operations*  
(44/20)

J. Sue Rozema  
*Vice President and Treasurer*  
(44/17)

Larry M. Smith  
*Vice President and Controller*  
(41/11)

Alan L. Wells  
*Vice President-  
Corporate Development*  
(37/4)

## EARNINGS OVERVIEW

The condensed financial statements presented in this summary annual report are derived from the audited financial statements of the Company. A copy of the Company's consolidated financial statements and the report of the independent public accountants is included in Appendix A in the 1997 Proxy Statement.

The year 1996 was the first full calendar year of operations for the Company since the merger of its predecessors in July 1995. In addition to forming a holding company structure in December 1996, the Company continued to take steps it believes will better prepare it for the future competitive utility environment. The following discussion is an overview of the more significant items in 1996 and prior years.

### 1996 Earnings

The Company's earnings per share were \$1.30 for 1996, an improvement of 8 cents from the \$1.22 reported for 1995. Income from continuing operations for 1996 increased 24 cents per share to \$1.43. The increase in earnings reflects the realization in 1996 of savings from the merger that created MidAmerican, as well as the absence of the costs which were incurred in 1995 to complete the merger and achieve the savings.

Electric retail sales in 1996 increased approximately 2% compared to 1995 sales. Modest customer growth, a favorable heating season and an increase in sales that are less dependent on weather all contributed to the improvement. The impact of these factors was partially offset by the effect of cooler-than-normal weather conditions during the summer of 1996.

Retail sales of natural gas in 1996 improved approximately 3% compared to 1995 due to a colder-than-normal heating season and customer growth. Compared to normal, the net effect of weather on electric and gas sales reduced 1996 earnings by an estimated 4 cents per share.

Earnings for 1996 were also influenced by changes in electric and gas prices during 1996 and 1995. Electric and gas sales in 1996 reflect a full-year's effect of increases implemented in mid-1995. The benefit of these increases was partially offset by price reductions in the last half of 1996. Refer to "Other Matters" for more discussion.

The Company's gas utility operations sold certain storage gas supplies for a gain in 1996 and also received an award for success achieved under the Company's incentive gas procurement program. Together these transactions added 3 cents per share to 1996 earnings.

In August 1996, the Company proposed a merger with IES Industries Inc. (IES) which the Company believes would have been beneficial to both companies. The Company discontinued its attempt to merge with IES after the IES board of directors and holders of a majority of IES common stock rejected the proposal in favor of a pending merger with two other utility companies. Costs incurred in the effort reduced 1996 earnings by 5 cents per share.

During 1996, the Company began to redeploy its non-regulated investments as part of its strategy of becoming the leading regional provider of energy and complementary services. This resulted in the decision to sell several subsidiaries, as discussed below, that were not meeting earnings expectations or that no longer aligned with the Company's objectives. The Company's financial statements reflect these operations as discontinued.

### Electric Retail Sales

(billions of kWh)



### Cooling Degree Days

(based on a base temperature of 65 degrees Fahrenheit)



Actual ■ Normal ●●●●  
Normal changes once each decade and when service territory changes

### Natural Gas Throughput

(millions of MMBtu)







In December, the Company sold a portion of its nonregulated operations to KCS Energy, Inc. for \$210 million in cash and 435,000 warrants to purchase KCS common stock. The sale, which was completed in January 1997, included the oil and gas exploration and development operations of the Company. The Company's earnings reflect a loss of 7 cents per share for the transaction.

In addition, the Company decided to dispose of a subsidiary that develops and operates a computerized information system which facilitates real-time exchange of power in the electric industry. The Company expects the disposition to occur in the first half of 1997 and has reflected a loss of 4 cents per share in 1996.

In October 1996, the Company received \$15.3 million in cash as final settlement for the sale of a former coal mining subsidiary reflected as discontinued operations in 1982 by one of the Company's predecessors. The final settlement included reacquisition by the buyer of its preferred equity issued to the Company and settlement of reclamation reserves. The Company's 1996 earnings reflect a loss of 3 cents per share.

Further evaluation of nonregulated investments resulted in write-downs of certain assets, primarily alternative energy projects. These write-downs, totaling \$15.6 million before taxes, reduced earnings by 9 cents per share.

**1995 Earnings**

Earnings per share for 1995 were unchanged from the \$1.22 in 1994. An improvement in utility electric and gas sales, due primarily to weather, and price increases resulted in an increase of approximately 23 cents per share

in 1995. These improvements were offset by costs related to the merger.

During 1995, the Company incurred merger-related costs which reduced 1995 earnings by 24 cents per share. Other operating expenses for 1995 include \$33.4 million for costs of a restructuring plan that included work force reduction. Costs to complete the merger totaled \$4.6 million and are included in Other, Net in the Consolidated Statements of Income.

Write-downs of certain investments of the nonregulated subsidiaries reduced 1995 earnings by approximately 10 cents per share. The \$18.0 million pre-tax amount of the write-downs is included in Other, Net in the Consolidated Statements of Income. The investments are primarily alternative energy projects.

Earnings for 1995, also reflect 5 cents per share for gains on the sales of a partnership interest in a gas marketing organization and a telecommunications subsidiary.

**1994 Earnings**

Merger transaction costs reduced 1994 earnings per share by 5 cents per share. Extended outages at nuclear facilities resulted in increased operations and maintenance expenses in 1994. Gains on the sales of a security holding and an investment in a leveraged lease contributed favorably to 1994 earnings.

In 1994, the Company announced its intent to divest its construction subsidiaries and reflected a loss of 4 cents per share in 1994 earnings. The sales were completed in the first quarter of 1995.

**Heating Degree Days**

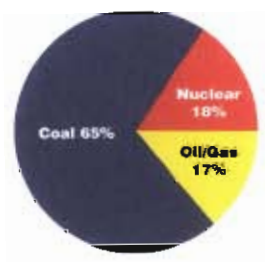
(based on a base temperature of 65 degrees Fahrenheit)



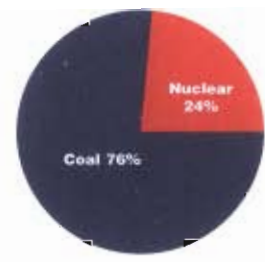
Actual ■ Normal ●●●●  
Normal changes once each decade and when service territory changes.

**Fuel Mix**

Installed Capacity\*



Generation Mix\*\*



\* Nuclear includes a jointly owned plant and output purchased under a long-term power purchase contract from another nuclear facility. Coal and Oil/Gas are owned or jointly owned facilities.  
\*\* As a percent of 1996 net generation.

## EARNINGS OVERVIEW

## Other Matters

In June 1996, the Company filed an electric pricing proposal in Illinois and Iowa which would provide the Company more flexibility to negotiate with customers and reduce rates over a five-year period. The Company later withdrew the proposal in Illinois and reached a settlement with the Illinois Commerce Commission that reduced electric rates by \$13.1 million annually in 1996 and an additional \$2.4 million in mid-1997.

In January 1997, the Company reached agreement with the Office of Consumer Advocate and other parties to the Iowa proceeding. The agreement, which includes key elements of the Company's pricing proposal, is subject to

approval by the Iowa Utilities Board. The agreement would enable the Company to extend long-term electric contracts to more businesses, improve recovery of certain nuclear costs and provide for accelerated recovery of certain deferred costs. In turn, the Company would reduce residential rates approximately \$20 million annually by June 1, 1998, including a voluntary \$8.5 million reduction implemented in November 1996. Commercial and industrial rates would be reduced \$10 million annually by the same date. The agreement does not affect state-mandated programs, but would lessen the impact on customers of cost increases associated with those programs.

## Capital Expenditures

(\$ in millions, includes allowance for funds used during construction)



## Electric Capability\* and Peak Demand

(in MW)



\* Owned capacity plus net purchases

## COMMON STOCK DIVIDENDS AND PRICES

	Dividends Declared			Price Range					
	MEC	IWG	MWR	MidAmerican		Iowa-Illinois		Resources	
				High	Low	High	Low	High	Low
<b>1996</b>									
4th Quarter	\$ 0.30	\$ -	\$ -	\$ 16 ¼	\$ 14 ¾	\$ -	\$ -	\$ -	\$ -
3rd Quarter	0.30	-	-	17 ¾	15 ⅝	-	-	-	-
2nd Quarter	0.30	-	-	17 ⅞	16 ¼	-	-	-	-
1st Quarter	0.30	-	-	18 ⅞	16 ¼	-	-	-	-
<b>1995</b>									
4th Quarter	\$ 0.30	\$ -	\$ -	\$ 17 ⅞	\$ 15	\$ -	\$ -	\$ -	\$ -
3rd Quarter	0.30	-	-	15 ⅝	13 ⅝	-	-	-	-
2nd Quarter	-	0.4325	0.29	-	-	22	19 ⅞	15	13 ⅞
1st Quarter	-	0.4325	0.29	-	-	22 ⅞	19	14 ⅞	13 ⅞

Iowa-Illinois Gas and Electric Company (Iowa-Illinois, IWG) and Midwest Resources Inc. (Resources, MWR) are predecessors of MidAmerican.



## CONSOLIDATED STATEMENTS OF INCOME



Years Ended December 31

(In thousands, except per share amounts)	1996	1995	1994
<b>Operating Revenues</b>			
Electric utility	\$ 1,099,008	\$ 1,094,647	\$ 1,021,660
Gas utility	536,753	459,588	492,015
Nonregulated	236,851	95,106	117,550
	<u>1,872,612</u>	<u>1,649,341</u>	<u>1,631,225</u>
<b>Operating Expenses</b>			
Utility:			
Cost of fuel, energy and capacity	234,317	230,261	213,987
Cost of gas sold	345,014	279,025	326,782
Other operating expenses	350,174	399,648	354,190
Maintenance	88,621	85,363	101,275
Depreciation and amortization	164,592	158,950	154,229
Property and other taxes	92,630	96,350	94,990
	<u>1,275,348</u>	<u>1,249,597</u>	<u>1,245,453</u>
Nonregulated:			
Cost of sales	218,256	70,209	84,515
Other	35,370	37,181	36,765
	<u>253,626</u>	<u>107,390</u>	<u>121,280</u>
Total operating expenses	<u>1,528,974</u>	<u>1,356,987</u>	<u>1,366,733</u>
<b>Operating Income</b>	<u>343,638</u>	<u>292,354</u>	<u>264,492</u>
<b>Non-Operating Income</b>			
Interest income	4,012	4,485	4,334
Dividend income	16,985	16,954	17,087
Realized gains and losses on securities, net	1,895	688	7,635
Other, net	(4,020)	(10,467)	4,316
	<u>18,872</u>	<u>11,660</u>	<u>33,372</u>
<b>Fixed Charges</b>			
Interest on long-term debt	102,909	105,550	101,267
Other interest expense	10,941	9,449	6,446
Allowance for borrowed funds	(4,212)	(5,552)	(3,955)
Preferred dividends of subsidiaries	10,689	8,059	10,551
	<u>120,327</u>	<u>117,506</u>	<u>114,309</u>
<b>Income From Continuing Operations Before Income Taxes</b>	<u>242,183</u>	<u>186,508</u>	<u>183,555</u>
<b>Income Taxes</b>	<u>98,422</u>	<u>66,803</u>	<u>60,457</u>
<b>Income From Continuing Operations</b>	<u>143,761</u>	<u>119,705</u>	<u>123,098</u>
<b>Discontinued Operations</b>			
Income from operations (net of income taxes)	2,117	3,059	856
Loss on disposal (net of income taxes)	(14,832)	-	(3,765)
	<u>(12,715)</u>	<u>3,059</u>	<u>(2,909)</u>
<b>Net Income</b>	<u>\$ 131,046</u>	<u>\$ 122,764</u>	<u>\$ 120,189</u>
<b>Average Common Shares Outstanding</b>	<u>100,752</u>	<u>100,401</u>	<u>98,531</u>
<b>Earnings Per Common Share</b>			
Continuing operations	\$ 1.43	\$ 1.19	\$ 1.25
Discontinued operations	(0.13)	0.03	(0.03)
Earnings per average common share	<u>\$ 1.30</u>	<u>\$ 1.22</u>	<u>\$ 1.22</u>
<b>Dividends Declared Per Share</b>	<u>\$ 1.20</u>	<u>\$ 1.18</u>	<u>\$ 1.17</u>

## CONSOLIDATED BALANCE SHEETS

As of December 31

(In thousands)	1996	1995
<b>ASSETS</b>		
<b>Utility Plant</b>		
Electric	\$ 4,010,847	\$ 3,881,699
Gas	723,491	695,741
	4,734,338	4,577,440
Less accumulated depreciation and amortization	2,153,058	2,027,055
	2,581,280	2,550,385
Construction work in progress	49,305	104,164
	2,630,585	2,654,549
<b>Power Purchase Contract</b>	190,897	212,148
<b>Investment in Discontinued Operations</b>	196,356	177,300
<b>Current Assets</b>		
Cash and cash equivalents	97,749	32,915
Receivables	312,930	228,128
Inventories	90,864	85,235
Other	11,696	18,428
	513,239	364,706
<b>Investments</b>	628,791	646,456
<b>Other Assets</b>	399,415	414,938
<b>Total Assets</b>	<b>\$ 4,559,283</b>	<b>\$ 4,470,097</b>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Capitalization</b>		
Common shareholders' equity	\$ 1,239,946	\$ 1,225,715
Preferred securities	181,769	139,945
Long-term debt (excluding current portion)	1,395,103	1,403,322
	2,816,818	2,768,982
<b>Current Liabilities</b>		
Notes payable	161,990	184,800
Current portion of long-term debt	79,598	65,295
Current portion of power purchase contract	13,718	13,029
Accounts payable	169,806	122,055
Taxes accrued	82,254	81,898
Interest accrued	28,513	30,635
Other	30,229	46,267
	566,108	543,979
<b>Other Liabilities</b>		
Power purchase contract	97,504	112,700
Deferred income taxes	752,336	724,587
Investment tax credit	88,842	95,041
Other	237,675	224,808
	1,176,357	1,157,136
<b>Total Capitalization and Liabilities</b>	<b>\$ 4,559,283</b>	<b>\$ 4,470,097</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS



Years Ended December 31

(In thousands)	1996	1995	1994
<b>Net Cash Flows From Operating Activities</b>			
Net income	\$ 131,046	\$ 122,764	\$ 120,189
Adjustments to reconcile net income to net cash provided:			
Depreciation, depletion and amortization	190,511	181,636	179,918
Net increase (decrease) in deferred income taxes and investment tax credit, net	22,142	(961)	34,103
Amortization of other assets	20,541	19,630	9,731
Capitalized cost of real estate sold	3,568	1,744	3,723
Loss (income) from discontinued operations	12,715	(3,059)	2,909
Gain on sale of securities, assets and other investments	(10,132)	(1,050)	(6,409)
Other-than-temporary declines in value of investments	15,566	17,971	1,791
Impact of changes in working capital, net of effects from discontinued operations	(53,752)	(21,024)	(6,917)
Other	19,218	19,369	10,831
Net cash provided	<u>351,423</u>	<u>337,020</u>	<u>349,869</u>
<b>Net Cash Flows From Investing Activities</b>			
Utility construction expenditures	(154,198)	(190,771)	(211,669)
Quad Cities Nuclear Power Station decommissioning trust fund	(8,607)	(8,636)	(9,044)
Deferred energy efficiency expenditures	(20,390)	(35,841)	(28,221)
Nonregulated capital expenditures	(55,788)	(12,881)	(9,095)
Purchase of securities	(198,947)	(164,521)	(113,757)
Proceeds from sale of securities	243,290	94,493	142,307
Proceeds from sale of assets and other investments	33,285	34,263	6,433
Investment in discontinued operations	(36,020)	(9,752)	(23,695)
Other investing activities, net	8,308	6,946	(7,957)
Net cash used	<u>(189,067)</u>	<u>(286,700)</u>	<u>(254,698)</u>
<b>Net Cash Flows From Financing Activities</b>			
Common dividends paid	(120,770)	(118,828)	(114,924)
Issuance of long-term debt, net of issuance cost	99,500	12,750	180,410
Retirement of long-term debt, including reacquisition cost	(136,616)	(110,351)	(102,472)
Reacquisition of preferred shares	(58,176)	(10)	(19,916)
Issuance of preferred shares, net of issuance cost	96,850	-	-
Increase (decrease) in MidAmerican Capital Company unsecured revolving credit facility	44,500	95,000	(9,500)
Issuance of common shares	-	15,083	27,760
Net increase (decrease) in notes payable	(22,810)	60,300	(48,535)
Net cash used	<u>(97,522)</u>	<u>(46,056)</u>	<u>(87,177)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>64,834</b>	<b>4,264</b>	<b>7,994</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>32,915</b>	<b>28,651</b>	<b>20,657</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 97,749</b>	<b>\$ 32,915</b>	<b>\$ 28,651</b>
<b>Additional Cash Flow Information:</b>			
Interest paid, net of amounts capitalized	\$ 107,179	\$ 116,843	\$ 105,004
Income taxes paid	\$ 85,894	\$ 69,319	\$ 50,713



### Report of Independent Public Accountants

To the Shareholders of MidAmerican Energy Holdings Company:

We have audited, in accordance with generally accepted auditing standards, the consolidated balance sheets of MidAmerican Energy Holdings Company (an Iowa corporation) and subsidiary companies as of December 31, 1996 and 1995, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1996, appearing in Appendix A to the proxy statement for the 1997 Annual Meeting of Shareholders of MidAmerican Energy Holdings Company (not presented herein). In our report dated January 24, 1997, also appearing in that proxy statement, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 1996 and 1995, and the related consolidated statements of income and cash flows for each of the three years in the period ended December 31, 1996, is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.



Arthur Anderson LLP  
Chicago, Illinois  
January 24, 1997

### Report of Management

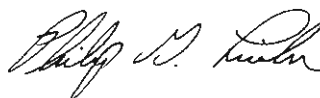
Management is responsible for the preparation of all information contained in this summary annual report, including the condensed financial statements. The statements and related financial information have been prepared in conformity with generally accepted accounting principles. In the opinion of management, the financial position, results of operation and cash flows of the Company are reflected fairly in the condensed statements. The consolidated financial statements, from which the information contained herein was derived, have been audited by the Company's independent public accountants, Arthur Andersen LLP.

The Company maintains a system of internal controls which is designed to provide reasonable assurance, on a cost effective basis, that transactions are executed in accordance with management's authorization, the financial statements are reliable and the Company's assets are properly accounted for and safeguarded. The Company's internal auditors continually evaluate and test the system of internal controls and actions are taken when opportunities for improvement are identified. Management believes that the system of internal controls is effective.

The Audit Committee of the Board of Directors, the members of which are directors who are not employees of the Company, meets regularly with management, the internal auditors and Arthur Andersen LLP to discuss accounting, auditing, internal control and financial reporting matters. The Company's independent public accountants are appointed annually by the Board of Directors on recommendation of the Audit Committee. The internal auditors and Arthur Andersen LLP each have full access to the Audit Committee, without management representatives present.



Stanley J. Bright  
*President and Chief Executive Officer*



Philip G. Lindner  
*Senior Vice President and Chief Financial Officer*

## UTILITY FIVE-YEAR ELECTRIC STATISTICS



For the Years Ended December 31

	1996	1995	1994	1993	1992
<b>Revenues</b> (In thousands)					
Residential	\$ 415,954	\$ 434,105	\$ 400,346	\$ 386,047	\$ 343,842
Small general service	237,466	252,427	253,703	242,205	236,292
Large general service	241,172	219,075	204,481	193,616	199,256
Other sales	60,476	60,160	57,731	56,198	30,878
Sales for resale	121,452	105,472	84,260	104,461	106,982
Total from electric sales	1,076,520	1,071,239	1,000,521	982,527	917,250
Other electric revenue	22,488	23,408	21,139	20,443	18,777
Total	\$1,099,008	\$ 1,094,647	\$ 1,021,660	\$ 1,002,970	\$ 936,027
<b>KWh Sales</b> (In thousands)					
Residential	4,652,031	4,767,608	4,500,265	4,475,883	4,098,567
Small general service	3,565,459	3,920,792	4,062,993	3,937,360	3,885,898
Large general service	6,067,325	5,351,933	5,091,685	4,851,493	4,993,213
Other	988,022	957,463	938,620	930,117	470,444
Sales for resale	6,727,326	5,509,161	3,605,092	5,566,208	6,386,957
Total	22,000,163	20,506,957	18,198,655	19,761,061	19,835,079
<b>Revenues as a % of Total</b>					
Residential	38.6	40.5	40.0	39.3	37.5
Small general service	22.1	23.6	25.4	24.7	25.7
Large general service	22.4	20.5	20.4	19.7	21.7
Other	5.6	5.6	5.8	5.7	3.4
Sales for resale	11.3	9.8	8.4	10.6	11.7
Total	100.0	100.0	100.0	100.0	100.0
<b>Sales as a % of Total</b>					
Residential	21.1	23.2	24.7	22.7	20.6
Small general service	16.2	19.1	22.3	19.9	19.6
Large general service	27.6	26.1	28.0	24.5	25.2
Other	4.5	4.7	5.2	4.7	2.4
Sales for resale	30.6	26.9	19.8	28.2	32.2
Total	100.0	100.0	100.0	100.0	100.0
<b>Retail Electric Sales by Jurisdiction (%)</b>					
Iowa	88.7	88.4	88.6	88.7	87.8
Illinois	10.6	11.0	10.9	10.9	11.8
South Dakota	0.7	0.6	0.5	0.4	0.4
Total	100.0	100.0	100.0	100.0	100.0
<b>Customers</b> (End of year)					
Residential	557,637	551,384	548,106	541,220	536,767
Small general service	73,022	72,616	69,905	68,829	71,843
Large general service	982	945	743	744	833
Other	9,937	9,744	9,518	9,572	5,156
Sales for resale	55	55	59	63	61
Total	641,633	634,744	628,331	620,428	614,660
<b>Annual Average Per Residential Customer</b>					
Revenue per kWh (cents)	8.94	9.11	8.90	8.62	8.39
KWh sales	8,392	8,670	8,265	8,310	7,681
<b>Cooling Degree Days</b>					
Actual	788	1,112	912	813	603
Percent warmer (colder) than normal	(17.5)	14.1	(6.5)	(16.4)	(38.5)
<b>Electric Peak Demand</b> (net MW)	3,537	3,553	3,226	3,284	2,902
<b>Summer Net Accredited Capability</b> (MW)	4,301	4,311	4,145	4,072	4,116

## UTILITY FIVE-YEAR GAS STATISTICS

For the Years Ended December 31

	1996	1995	1994	1993	1992
<b>Revenues</b> (In thousands)					
Residential	\$ 338,605	\$ 279,819	\$ 287,171	\$ 319,359	\$ 282,688
Small general service	153,616	128,501	142,894	150,913	133,384
Large general service	17,670	23,280	36,729	37,761	43,919
Sales for resale and other	2,050	5,303	5,514	10,376	2,648
Total from gas sales	511,941	436,903	472,308	518,409	462,639
Gas transported	20,155	16,677	12,842	13,457	17,473
Other gas revenues	4,657	6,008	6,865	7,123	4,575
Total	\$ 536,753	\$ 459,588	\$ 492,015	\$ 538,989	\$ 484,687
<b>Throughput</b> (MMBtu in thousands)					
Sales					
Residential	61,732	57,153	54,732	60,612	56,072
Small general service	33,642	32,786	32,677	34,504	31,894
Large general service	4,634	6,222	8,253	9,681	12,357
Sales for resale and other	977	3,582	3,231	4,305	837
Total sales	100,985	99,743	98,893	109,102	101,160
Gas transported	54,618	50,695	43,293	39,570	34,686
Total	155,603	150,438	142,186	148,672	135,846
<b>Revenues as a % of Total</b>					
Residential	63.6	61.7	59.2	60.0	58.9
Small general service	28.9	28.3	29.4	28.4	27.8
Large general service	3.3	5.1	7.6	7.1	9.1
Sales for resale and other	0.4	1.2	1.1	2.0	0.6
Gas transported	3.8	3.7	2.7	2.5	3.6
Total	100.0	100.0	100.0	100.0	100.0
<b>Sales as a % of Total</b> (Excluding gas transported)					
Residential	61.1	57.3	55.3	55.6	55.5
Small general service	33.3	32.9	33.0	31.6	31.5
Large general service	4.6	6.2	8.4	8.9	12.2
Sales for resale and other	1.0	3.6	3.3	3.9	0.8
Total	100.0	100.0	100.0	100.0	100.0
<b>Retail Gas Sales by Jurisdiction</b> (%)					
Iowa	78.0	77.1	76.6	74.5	73.4
Illinois	11.0	11.6	11.9	11.4	11.6
South Dakota	10.3	10.6	10.8	5.4	2.2
Other	0.7	0.7	0.7	8.7	12.8
Total	100.0	100.0	100.0	100.0	100.0
<b>Customers</b> (End of year)					
Residential	550,786	541,732	535,301	526,863	552,660
Small general service	58,059	57,207	55,855	54,972	54,918
Large general service	821	830	876	868	1,020
Gas transported and other	504	1,128	171	128	123
Total	610,170	600,897	592,203	582,831	608,721
<b>Annual Averages Per Residential Customer</b>					
Revenue per MMBtu	\$ 5.49	\$ 4.90	\$ 5.25	\$ 5.27	\$ 5.04
MMBtu sales	113	106	104	111	103
<b>Heating Degree Days</b>					
Actual	7,445	6,841	6,564	7,097	6,302
Percent colder (warmer) than normal	10.1	0.9	(3.5)	3.2	(8.7)
<b>Cost per MMBtu</b>	\$ 3.42	\$ 2.80	\$ 3.30	\$ 3.36	\$ 3.22



## FIVE-YEAR FINANCIAL STATISTICS



For the Years Ended December 31

	1996	1995	1994	1993	1992
<b>Earnings per average common share</b>					
<b>Continuing operations:</b>					
Utility operations	\$ 1.54	\$ 1.24	\$ 1.12	\$ 1.29	\$ 0.82
Nonregulated activities	(0.11)	(0.05)	0.13	0.09	(0.03)
Discontinued operations	(0.13)	0.03	(0.03)	0.01	0.05
<b>Earnings per average common share</b>	<b>\$ 1.30</b>	<b>\$ 1.22</b>	<b>\$ 1.22</b>	<b>\$ 1.39</b>	<b>\$ 0.84</b>
<b>Average shares of common stock</b>					
outstanding (In thousands)	100,752	100,401	98,531	97,762	95,430
Return on average common equity (%)	10.6	10.1	10.1	11.6	7.1
Cash dividends declared per common share	\$ 1.20	\$ 1.18	\$ 1.17	\$ 1.17	\$ 1.28
Common dividend payout ratio (%)	92	97	96	84	152
<b>Ratio of earnings to fixed charges</b>					
Consolidated	3.3	2.8	2.8	2.8	1.9
Utility only	4.1	3.4	3.3	3.4	2.3
<b>Ratio of earnings to fixed charges and Cooper Nuclear Station debt service</b>					
Consolidated	3.1	2.7	2.7	2.8	1.8
Utility only	4.0	3.3	3.2	3.3	2.2
<b>Quarterly earnings per average common share outstanding</b>					
1st quarter	\$ 0.51	\$ 0.35	\$ 0.45	\$ 0.44	\$ 0.28
2nd quarter	0.29	0.25	0.22	0.22	0.13
3rd quarter	0.22	0.36	0.36	0.52	0.26
4th quarter	0.28	0.27	0.19	0.20	0.17
Total assets (In millions)	\$ 4,559	\$ 4,470	\$ 4,389	\$ 4,352	\$ 4,103
<b>Capitalization (In millions)</b>					
Common shareholders' equity	\$ 1,240	\$ 1,226	\$ 1,204	\$ 1,181	\$ 1,160
Preferred securities	182	140	140	160	123
Long-term debt (excluding current portion)	1,395	1,403	1,398	1,341	1,369
<b>Capitalization ratios %</b>					
Common shareholders' equity	44.0	44.3	43.9	44.0	43.8
Preferred securities	6.5	5.0	5.1	6.0	4.6
Long-term debt (excluding current portion)	49.5	50.7	51.0	50.0	51.6
Book value per common share at year-end	\$ 12.31	\$ 12.17	\$ 12.08	\$ 12.07	\$ 11.86
Utility construction expenditures (In thousands)	\$ 154,198	\$ 190,771	\$ 211,669	\$ 215,081	\$ 188,344
Net cash from utility operations less dividends as a % of construction	127	108	99	86	85
<b>Number of full-time employees</b>					
Utility	3,370	3,331	4,077	4,196	4,305
Nonregulated	236	271	274	347	200

**1997 Annual Meeting**

This year's annual meeting will be April 23, beginning at 10 a.m. at the Sioux City Convention Center. Shareholders of record February 21, 1997, will be eligible to vote on matters to be addressed at the annual meeting.

**Duplicate Annual Reports**

Duplicate mailings of Annual Reports occur when the names on your stock certificates differ, or when other individuals in your home own stock. Duplicate Annual Report mailings are costly, so please notify us in writing about them. List which account numbers should not receive annual report materials. Of course, each account will continue to receive separate dividend checks and proxies as required by the Securities and Exchange Commission.

**Form 10-K Reports for  
MidAmerican Energy Holdings Company**

The Form 10-K will be available after March 31. To request a copy, please write to Shareholder Services.

**Common Stock Listing**

Common stock of MidAmerican Energy Holdings Company is traded on the New York Stock Exchange under the ticker symbol "MEC." Daily newspapers carry quotes on the stock.

**Dividend Reinvestment and Stock Purchase**

The Company's Shareholder Options Plan provides individuals with a convenient method for purchasing additional shares of common stock by reinvesting their cash dividends, by making optional cash purchases, or both. A prospectus describing the plan may be obtained by contacting Shareholder Services.

**Record and Payment Dates**

Remaining record dates for 1997, to be set by the board of directors, are expected to be May 8, August 8 and November 7. Corresponding dividend payment dates are expected to be June 1, September 1 and December 1.

**Stock Bought or Sold Close to Record Date**

Stock is sometimes bought or sold soon before a record date, but the transaction is not transferred by the broker in time for the dividend check to be issued to the new owner. If you are the new owner, your broker will claim the payment from the previous owner for you.

**Safekeeping**

Safekeeping is a convenient feature of the Shareholder Options Plan designed for shareholders who prefer to have their shares held on account rather than receive a stock certificate. You do not have to reinvest your dividends to take advantage of Safekeeping. When you sign up for Safekeeping, you will receive a Safekeeping receipt in place of your certificate. Contact Shareholder Services for additional information.

**Direct Deposit of Dividends**

You may elect to have your dividends electronically deposited into your checking or savings account at your bank, savings and loan institution or credit union. Direct Deposit of Dividends is a safe, efficient and reliable means of receiving your dividends. You may obtain an application form by contacting Shareholder Services.

**Replacement of Dividend Check**

If you do not receive a dividend check, please notify Shareholder Services in writing so that payment on your check can be stopped. When the bank confirms the stop order, a replacement check will be issued.

**Transferring Stock**

To transfer stock, endorse the certificate or Stock Power Form exactly as the name appears on the face of the certificate. Your signature must be guaranteed with a MEDALLION IMPRINT affixed by a financial institution enrolled in the MEDALLION PROGRAM. Fill in the name, address and social security number of the person to whom the shares are to be transferred. Send the certificate to us, or to our co-transfer agent if you prefer. To do this, we recommend registered mail, which allows you to insure the contents of the package. For registered mail, we suggest a value of 2 percent of the current market price, which is the fee you will



be charged by the insurance company to replace certificates if they become lost.

#### **Lost, Destroyed or Stolen Certificate**

Please contact Shareholder Services immediately if a certificate becomes lost, stolen or destroyed. A stop transfer will be placed on our records to prevent an unauthorized person from transferring shares. An indemnity bond must be purchased by you to replace stock certificates. The cost of this bond is 2 percent of the current market value. As a security measure, keep certificates in a safe place and do not endorse one until you are ready to transfer it. Once endorsed, the certificates could be improperly transferred if lost or stolen.

#### **Stock Held in Brokerage Accounts ("Street Name")**

When you purchase your stock and it is held for you by your broker, it is listed with the Company in the broker's name, or "street name." The Company does not know the identity of individual shareholders who hold their shares in this manner; we simply know that a broker holds a certain number of shares, which may be for any number of customers. Accounts held in street name are not eligible to participate in the Company's Shareholder Options Plan. Also, you receive all dividend payments, annual reports and proxy materials through your broker. Regular quarterly financial reports may be obtained directly from the Company by contacting Shareholder Services.

#### **Taxpayer Identification Number**

The Internal Revenue Service requires shareholders to furnish a tax identification number to every company in which they own shares. Generally, it is your Social Security number (a W-9 Form is required to change a taxpayer identification number). If the number does not appear on your dividend check stub or reinvestment statement, or if it is incorrect, please contact Shareholder Services.

#### **Address Changes**

Please notify us of your former and current addresses. For your protection, we ask that changes be reported to us in writing.

#### **Shareholder Services by Telephone**

The Company maintains a toll-free number for you to call. If you live outside the Des Moines area, the number is 1-800-247-5211. If you live in the Des Moines area, you may call 281-2560.

#### **Financial Contacts**

J. Sue Rozema  
Vice President and Treasurer  
Phone: 515-281-2250

L. Jene Spurgin  
Investor Relations Administrator  
Phone: 515-281-2204

#### **Common Stock Transfer Agents**

MidAmerican Energy Holdings Company  
Shareholder Services  
P. O. Box 9244  
666 Grand Avenue-28th Floor  
Des Moines, IA 50306-9244

Continental Stock Transfer and Trust Co.  
2 Broadway-19th Floor  
New York, NY 10004

#### **Preferred Stock Transfer Agent**

MidAmerican Energy Holdings Company  
Shareholder Services  
P. O. Box 9244  
666 Grand Avenue-28th Floor  
Des Moines, IA 50306-9244

#### **Executive Offices**

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



**MIDAMERICAN INTRODUCED AN IMPORTANT RESOURCE FOR SHAREHOLDERS, customers, the media and the financial community last year. We are pleased to provide you access to timely company information through our World Wide Web site, <http://www.midamerican.com>. On these pages, we have put together tips on navigating the site and information on the resources available online.**

### Home Page (Screen 1) ▼

MidAmerican's home page is the first thing you will see when you visit the Web site. From here, you may choose to visit the Company Information, Investor Information, Energy Supply and Delivery, or Business

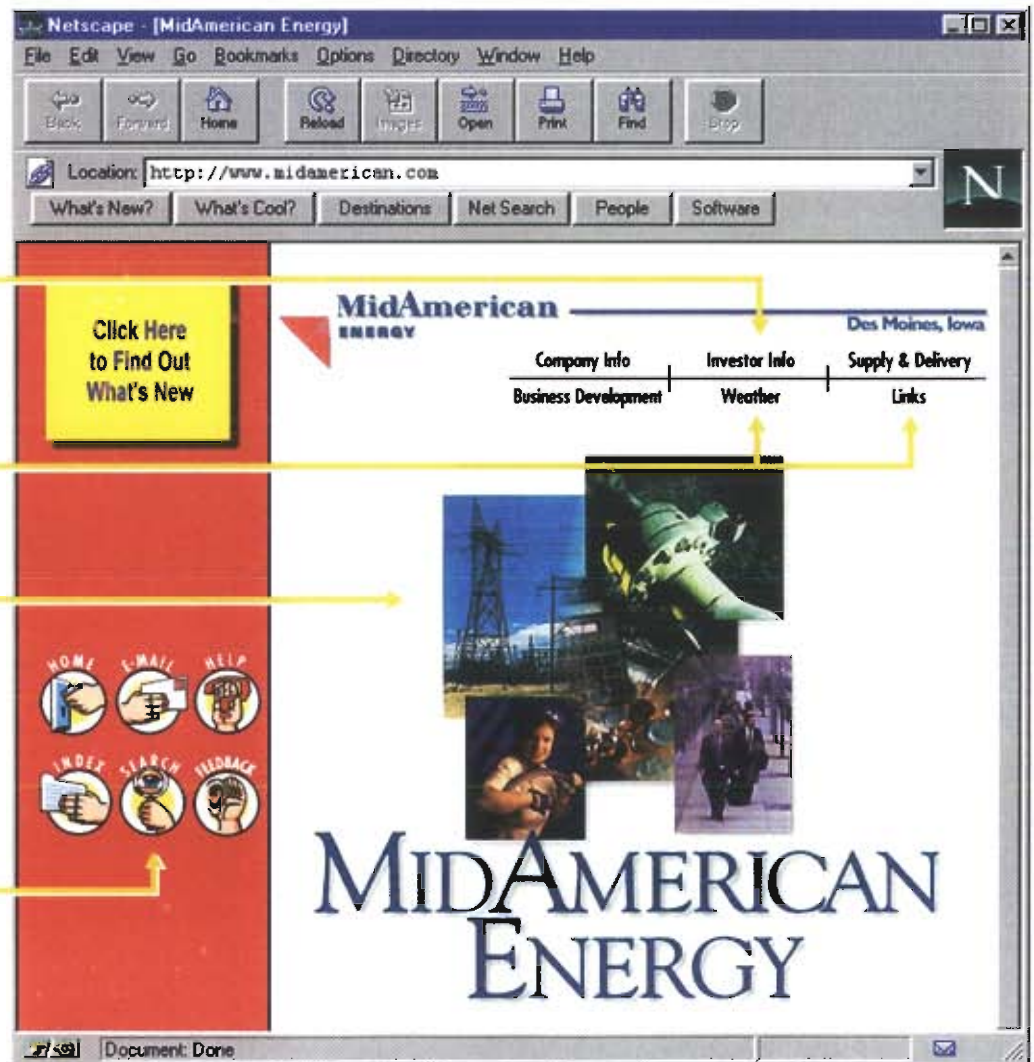
Development areas of the site. Each of these main areas has its own subject page. You may also click on the Index icon to find a complete listing of and links to the pages in the site.

**This grid takes you** directly to the main subject areas of the Web site. By clicking on Investor Info, you will link to Screen 2 (see next page).

**From here, you can** access continuously updated weather forecasts for MidAmerican's service area, and check out useful links to industry-related Web sites.

**This is a collage of** images featured throughout the site. You may click on an image to link to the page where the image appears.

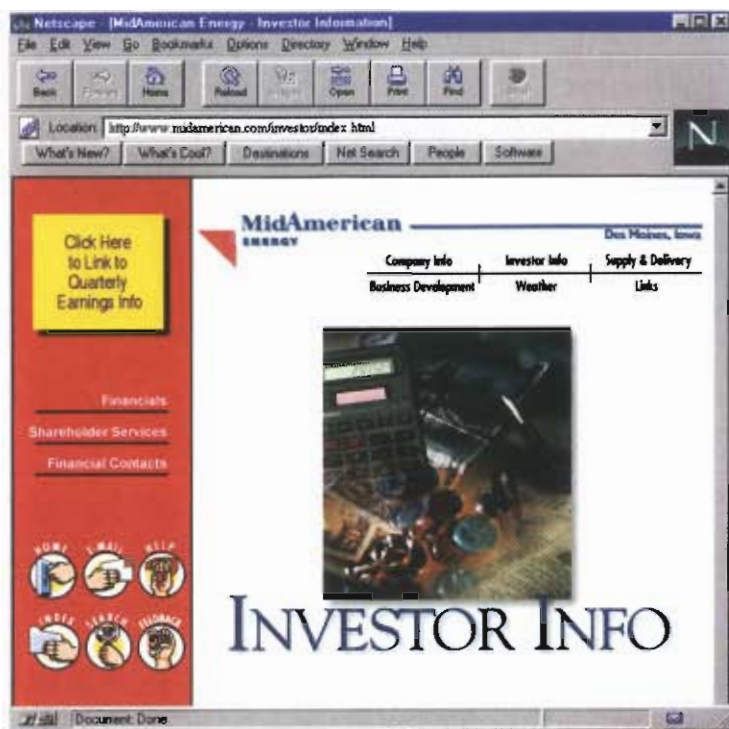
**These six icons will** be found in the same place on every page of the site. The Index, Home and Search icons make navigating the site easy. You can ask a question or give input by clicking on the E-Mail and Feedback icons. Consult the Help icon if you have questions about software, browsers or navigation.





## Investor Information (Screen 2)

As shareholders of MidAmerican, you are probably most interested in stock performance, company investments and the ways MidAmerican is positioning itself for the future. This can all be found in Investor Information. Visit Shareholder Services to learn about dividends, stock certificates, and purchasing or transferring stock. The Financial Contacts link gives you all the names, addresses and telephone numbers you need to conduct your shareholder business. Click on Financials to link to the Company's financial reports (see Screen 3 below).



## Financial Reports (Screen 3)

From this page, you can view the Company's quarterly reports and the annual report from the previous year. Simply click on the report you want to view. Or, you can order these reports and have them sent to you. The Financial Reports area also features a link to a stock quote service that offers information on MidAmerican's current and historical stock performance. Click on the SEC Reports icon to access MidAmerican's filings with the Securities and Exchange Commission.



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## Other features:

- An overview of Company operations and industry issues, information about organizational structure and management team, and an archive of news releases are some of the things you can find under Company Information.
- The Energy Supply and Delivery section gives information about electric and gas services. In 1997, industrial customers will be able to make gas nominations and monitor system conditions via the MidAmerican Web site.
- A Business Development area has information on the service territory economy and resources. Companies looking to locate or expand into the region will be able to access an online database of available sites and buildings.
- Visitors to the site can e-mail the Company with questions or concerns and be assured a prompt response.



## GLOSSARY OF TERMS

**Book Value** - The value of a company determined by subtracting its liabilities from its assets. Usually expressed on a per share basis.

**Capitalization** - The total of long-term debt, preferred stock and common stock equity.

**Customer Information System** - A comprehensive computer system designed to manage all customer-related information, including: customer accounts, customer contacts, service orders, billings, cash processing, accounts receivable and collections.

**Dividend Payout Ratio** - The proportion of earnings a company pays to shareholders in the form of dividends, calculated on a per share basis. The annual dividend per share divided by the earnings per share for the same period provides the percentage share ratio.

**Dow Jones Utilities Average** - A published index comprising the average of 15 utility stocks as defined by Dow Jones & Company, Inc.

**Earnings per Average Share** - The earnings available to common stock for a stated period divided by the weighted average number of shares outstanding during the period.

**Federal Energy Regulatory Commission (FERC)** - An independent agency within the U.S. Department of Energy, FERC is vested with broad regulatory authority. Virtually every facet of electric and natural gas production, transmission and sales conducted by private investor-owned utilities, corporations or public marketing agencies is under commission purview if any aspect of their operations is conducted in interstate commerce.

**Illinois Commerce Commission (ICC)** - The Illinois governmental agency that has authority to regulate the retail sales, safety and services of public utilities operating in the state.

**Iowa Utilities Board (IUB)** - The Iowa governmental division that has authority to regulate the retail sales, safety and services of public utilities operating in the state.

**Kilowatthour (kWh)** - The basic unit of electric energy equal to one kilowatt (1,000 watts) of power supplied to or taken from an electric circuit steadily for one hour.

**Megawatt (MW)** - One megawatt equals one million watts, or 1,000 kilowatts.

**Mid-Continent Area Power Pool (MAPP)** - A voluntary organization of 58 electric utilities and energy marketing entities interconnected to obtain greater reliability and economy through the coordination and sharing of electric system resources. The MAPP region encompasses Iowa, Nebraska, Minnesota, North and South Dakota, and Manitoba and Saskatchewan, Canada.

**MMBtu** - One million British Thermal Units (Btu). A Btu is a standard unit for measuring heat energy. One thousand cubic feet of natural gas contain approximately one MMBtu of energy.

**National Energy Policy Act** - Approved by Congress in 1992, this legislation provided for competition in the electric generation business. The law also gave FERC authority to require that utilities provide access to their transmission systems to other electric suppliers seeking to compete in the wholesale market.

**Office of Consumer Advocate (OCA)** - A division of the Iowa Department of Justice established to investigate the legality of all rates, charges, rules and practices of utilities operating within Iowa.

**Peak Demand** - The greatest demand for electric energy which occurred at a specific time.

**Retail Competition** - A situation in which end-use customers or groups may select energy supplies from among a number of different providers.

**Retained Earnings** - The net accumulated earnings of a business that have not been distributed to shareholders and have not become a part of the common stock of a company.

**Return on Average Common Equity** - The ratio of net income to common equity that measures the rate of return on the common shareholders' investment.

**South Dakota Public Utilities Commission (SDPUC)** - The South Dakota governmental division that has authority to regulate retail sales, safety and services of public utilities operating in the state.

**Throughput** - The total volume of natural gas moved through a company's distribution system, including gas sold and gas transported.

**Total Shareholder Return** - Stock price growth plus the annual dividend, divided by the initial stock price.

**Wholesale Competition** - A situation in which bulk supplies of electricity (those for resale or large-scale consumption) may be provided from different sources through the use of transmission systems.





Common Stock Proxy Card

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF MIDAMERICAN ENERGY HOLDINGS COMPANY FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 23, 1997, AT 10:00 A.M. AT THE SIOUX CITY CONVENTION CENTER, 801 FOURTH STREET, SIOUX CITY, IOWA**

The undersigned hereby appoints S. J. Bright, J. S. Rozema and P. J. Leighton, and each one of them, each with the power of substitution, as Proxies, to vote all the shares of common stock of MidAmerican Energy Holdings Company represented hereby at the Annual Meeting of Shareholders to be held on Wednesday, April 23, 1997, and at all adjournments thereof.

Your vote for the election of directors may be indicated below. Nominees are: J. W. Aalfs, S. J. Bright, R. D. Christensen, R. E. Christiansen, J. W. Colleton, F. S. Cottrell, J. W. Eugster, M. Foster, Jr., N. Gentry, J. M. Hoak, Jr., R. L. Lawson, R. L. Peterson, N. L. Seiferl, W. S. Tinsman, and L. L. Woodruff.

**Please vote, date and sign below. Detach the lower part of this proxy card and return promptly in the enclosed envelope. If you attend the meeting and wish to change your vote, you may do so automatically by casting your vote at the meeting. This proxy card when properly executed, will be voted and will be voted in accordance with the directions given by the shareholder. If no directions are given hereon, the proxy will be voted FOR Item 1 (All Nominees).**

**You are urged to date and sign this proxy and return it promptly to ensure a proper representation at this important meeting.**

TOLL FREE SHAREHOLDER  
INFORMATION NUMBERS

Local (Des Moines)  
Outside Des Moines

281-2560  
1-800-247-5211



**THE COVER:** Des Moines, Iowa, is headquarters for MidAmerican Energy Holdings Company and its three subsidiaries. The state capital, Des Moines also is one of the world's largest insurance centers. The four-county greater Des Moines area has a population of nearly 500,000.



**KEY:**

1. 700 WALNUT, EMC INSURANCE COMPANIES
2. POLK COUNTY COURTHOUSE
3. FINANCIAL CENTER
4. HUB TOWER
5. 801 GRAND, THE PRINCIPAL FINANCIAL GROUP
6. MARRIOTT HOTEL
7. THE EQUITABLE BUILDING
8. RUAN CENTER, HEADQUARTERS OF MIDAMERICAN ENERGY
9. BOATMEN'S BANK

**CREDITS:**

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P.O. Box 657

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