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IDAHO PUBLIC
UTILITIES COMMISSION

Pacific Power |
Rocky Mountain Power |
PacifiCorp Energy
825 NE Multnomah, Suite 1900 LCT
Portland, Oregon 97232

August 21, 2006

Idaho Public Utilities Commission
472 West Washington
Boise, ID 83702-5983

Attention: Ms. Jean D. Jewell
Commission Secretary

Re: Idaho Docket No. PAC-E-05-08 Compliance Filing

To the Idaho Public Utilities Commission:

PacifiCorp submits the attachments in compliance with the Commission's Order in this case issued on February 13, 2006 and amended on March 14, 2006. The Order approved the Stipulation supporting MEHC's acquisition of PacifiCorp from ScottishPower.

Commitment I20 of the Stipulation provides that, PacifiCorp will provide to the Commission, on an informational basis, credit rating agency news releases and final reports regarding PacifiCorp when such reports are known to PacifiCorp and are available to the public.

Therefore, in compliance with Commitment I20 of the Stipulation, please find the attached reports related to PacifiCorp.

Very truly yours,

Bruce Williams
Treasurer

FITCH RATES PACIFICORP'S \$350MM ISSUANCE OF FMB'S 'A-'

Fitch Ratings-Chicago-07 August 2006: Fitch has assigned a rating of 'A-' to PacifiCorp's (PPW) anticipated issuance of \$350 million 6.10% first mortgage bonds (FMB), due 2036. Proceeds from the issuance will be used to repay short-term debt and for general corporate purposes. The Rating Outlook is Stable.

The ratings for PPW reflect the company's solid operating cash flow and financial position, competitive resource base, and relatively low business risk profile. The ratings assume reasonable outcomes in pending and future rate proceedings. Fitch's analysis also takes into account PPW's projected above-industry-average service territory growth, primarily in its Eastern service territory, significant planned investment in new plant and infrastructure to meet its load requirements, and its growing exposure to gas-fired generating capacity. PPW is expected to invest approximate \$1 billion annually, on average, in new plant and equipment over the next five years. The primary credit concern is the potential for unsupportive regulatory actions, especially in light of the company's large construction budget and historically low earned returns. Additionally, PPW faces growing reliance on gas-fired generation and the exposure to high commodity costs in the event of a prolonged, unscheduled base-load plant outage during a period of high demand. Recent unfavorable regulatory developments in Washington and uncertainty regarding utility tax policy in Oregon are sources of concern for investors.

PPW has had a full regulatory agenda to date with rate proceedings in progress in Utah, Oregon, Wyoming and Washington in 2006. Favorably, the company recently reached settlement agreements in Utah and Oregon, which, if approved by regulators, will result in \$115 million and \$43 million of base rate increases, respectively. Earlier in the year, PPW received approval from the Wyoming Public Service Commission for a total annual increase of \$25 million, as well as a power cost adjustment mechanism and an agreement to utilize a forward test year in its next general rate case. The Washington Utilities and Transportation Commission's rejection of PPW's \$30 million rate increase request is a setback for the inter-jurisdictional cost allocation method under the revised protocol and is a hurdle to improved earned returns.

While Fitch views the recent Utah and Wyoming general rate case settlements favorably, regulators and policy makers in Oregon continue to send mixed signals to investors. The recent settlement of PPW's 2006 Oregon general rate case is a constructive development, in Fitch's view. However, the Oregon Public Utility Commission's anticipated September 2006 final order establishing permanent rules implementing Senate Bill 408 could have an adverse impact on PPW.

A wholly-owned subsidiary of MidAmerican Energy Holdings Company, PPW provides integrated electric service to approximately 1.6 million retail customers in parts of Utah, Oregon, Wyoming, Washington, Idaho and California.

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Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, 'www.fitchratings.com'. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

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RATINGS DIRECT

RESEARCH

Research Update: PacifiCorp's \$350 Million First Mortgage Bond Assigned 'A-' Rating

Publication date: 08-Aug-2006
Primary Credit Analyst: Swami Venkataraman, CFA, San Francisco (1) 415-371-5071;
 swami_venkataraman@standardandpoors.com

Credit Rating: A-/Stable/A-1

Rationale

On Aug. 8, 2006, Standard & Poor's Ratings Services assigned its 'A-' rating to the \$350 million first mortgage bond offering at electric utility PacifiCorp. The proceeds will be used to retire CP (\$305 million outstanding as of June 30, 2006) and for general corporate purposes. The 'A-' rating on the first mortgage bonds is the same as the corporate credit rating on PacifiCorp, and reflects Standard & Poor's conclusion in its ultimate recovery analysis of the company's utility operations that there is insufficient overcollateralization to notch the debt above the corporate credit rating.

The 'A-' corporate credit rating on Portland, Ore.-based PacifiCorp reflects the consolidated credit profile of parent MidAmerican Energy Holdings Co. (MEHC; A-/Stable/--). The rating incorporates MEHC's strong business risk position, fairly aggressive financial profile, and both explicit and implicit support from Berkshire Hathaway. Explicit support is in the form of a \$3.5 billion equity commitment agreement, which in our view would be called on, if necessary, to support the rating on MEHC. In fact, MEHC is expected to fund a portion of PacifiCorp's large upcoming capital program through equity.

MEHC's business profile score is 'strong' (utility business profiles are ranked from '1' (excellent) to '10' (vulnerable)). This score incorporates the significant diversity of MEHC's businesses, limited exposure to unregulated ventures (less than 10% of operating income in the future), and our expectation that MEHC's future acquisitions will be in the regulated utility segment and not in unregulated or commodity-exposed businesses. MEHC's strategy has been to acquire regulated utilities that can benefit from MEHC's established record of enhancing operational and financial performance through a mixture of improved regulatory relationships, cost reductions, and the funding of investment with the use of equity sufficient to maintain roughly a 50-50 capital structure.

PacifiCorp serves 1.6 million customers in six western states and had about \$4.3 billion in outstanding debt and preferred stock as of June 30, 2006. On March 21, 2006, MEHC completed its purchase of PacifiCorp from Scottish Power PLC.

MEHC owns PacifiCorp through PPW Holdings LLC, a special-purpose entity that ring-fences PacifiCorp from MEHC as required by various state regulators. The ring-fencing includes structural protections, covenants, and an independent director. PacifiCorp also agreed to refrain from making dividends to MEHC unless it maintains a common equity ratio of 48.25% through 2008, after which the ratio will decrease annually to 44% by 2012. (As of June 30, 2006, PacifiCorp was in compliance with the test.) These factors serve to protect PPW Holdings LLC and PacifiCorp from an MEHC bankruptcy. Due to the ring-fencing, PacifiCorp's corporate credit rating could potentially be as much as three notches above MEHC's rating, provided its stand-alone credit quality supported such an elevation.

Currently, the utility's stand-alone credit quality does not warrant a rating above that on MEHC; its stand-alone credit measures are in the 'BBB' category.

PacifiCorp's business profile is a satisfactory '5', reflecting strengths that include:

- A predominantly coal-fired generation base that produces competitive, low-cost power;
- Average markets that, by virtue of their disparate locations, provide a degree of economic and geographical diversity; and
- The potential for improved operating efficiencies through MEHC's ownership.

Challenges that are reflected in PacifiCorp's business risk include:

- The sometimes-difficult regulatory environments in which the company operates.
- Its exposure to wholesale purchases and hydro variability (about 70% of PacifiCorp's 2005 energy requirements came from owned coal, 21% from purchases, 5% from hydro, and 4% from natural gas); and
- An absence of fuel and purchased-power adjustment mechanisms in Utah, Washington, and Idaho, and the presence of only a partial mechanism in Oregon.

The company has been consistently unable to earn its authorized ROE, which ranges from 10% to 10.5%, depending on the state. Regulatory relationships will be tested this year, and the utility will conclude rate cases in all six states. While recent settlements in Utah, Oregon, Wyoming, Idaho, and California are in line with expectations, the case in Washington state, where the commission rejected PacifiCorp's rate increase application chiefly on cost allocation issues, has proved challenging. In addition, the potential application of Senate Bill 408 in Oregon is a concern.

Standard & Poor's expects that MEHC will fund a significant portion of PacifiCorp's substantial \$6.4 billion capital program over the next five years with equity, and that PacifiCorp will achieve stronger returns on the newly invested capital than the company has been able to achieve in recent years under the ownership of Scottish Power PLC, resulting in an overall improvement in PacifiCorp's credit measures.

Under the consolidated rating methodology, Standard & Poor's focuses primarily on MEHC's consolidated financial profile. While MEHC's credit measures are improving, ratios are clearly weak for the 'A-' rating, which benefits from Berkshire Hathaway's support. In recent years, MEHC's consolidated credit measures have improved due to the acquisitions of two large pipeline assets. For the 12 months ended March 31, 2006, funds from operations coverage of interest and debt stood at 2.5x and 8.8%, respectively. Debt to total capital stood at 70.9%, which is a substantial improvement from the 77.4% as of Dec. 31, 2005, reflecting the equity infusion for the acquisition of PacifiCorp. The results of PacifiCorp's operations are included in MEHC's results beginning March 21, 2006. Credit measures should continue to improve over the next few years as MEHC deleverages PacifiCorp through equity infusions and reinvestment of operating cash flow.

Short-term credit factors

The 'A-1' short-term rating on PacifiCorp reflects Standard & Poor's conclusion that the utility's CP rating benefits from the explicit and implicit support that MEHC receives from Berkshire Hathaway. Berkshire Hathaway's extremely strong liquidity position is assumed to be available to PacifiCorp via MEHC in the unlikely event that PacifiCorp cannot repay its CP obligations. Explicit support exists in the form of a \$3.5 billion equity commitment agreement between Berkshire Hathaway and MEHC that could be called upon to support the liquidity requirements of MEHC's regulated subsidiaries, including PacifiCorp.

PacifiCorp had \$42.5 million in cash as of June 30, 2006, and an \$800 million revolving credit agreement that terminates in July 2011.

As of June 30, 2006, the facility supported \$305 million of CP. Long-term debt maturities over the next 12 months stand at \$354.4 million, and capital expenditures for 2006 are expected to total about \$953 million. PacifiCorp will depend on MEHC to finance capital expenditures.

Outlook

The stable outlook on PacifiCorp reflects Standard & Poor's expectation that MEHC will deleverage PacifiCorp through the reinvestment of cash flow into its extensive capital expenditures program, as well as work to build constructive regulatory relationships in the states PacifiCorp serves. It is also assumed that Berkshire Hathaway will provide credit support and future investment capital as needed to PacifiCorp. The rating on PacifiCorp could fall to a level commensurate with its stand-alone credit quality if the rating on MEHC is lowered. The rating on PacifiCorp has limited near-term upside, as its stand-alone credit measures fall well short of the 'A' category.

Ratings List

Rating Assigned

PacifiCorp
\$350 mil 1st mtg bnd A-

Complete ratings information is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.

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