



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

RECEIVED  
2011 MAY 12 AM 10:11  
IDAHO PUBLIC  
UTILITIES COMMISSION

May 12, 2011

***VIA OVERNIGHT DELIVERY***

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 the acquisition of PacifiCorp by MidAmerican Energy Holdings Company.

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  
Vice President and Treasurer

Enclosure

# Global Credit Portal

## RatingsDirect®

April 28, 2011

### Summary:

## PacifiCorp

**Primary Credit Analyst:**

Anne Selting, San Francisco (1) 415-371-5009; anne\_selting@standardandpoors.com

**Secondary Contact:**

Todd A Shipman, CFA, New York (1) 212-438-7676; todd\_shipman@standardandpoors.com

### Table Of Contents

---

Rationale

Outlook

RECEIVED  
2011 MAY 12 AM 10:11  
IDAHO PUBLIC  
UTILITIES COMMISSION

## Summary: PacifiCorp

**Credit Rating:** A-/Stable/A-2

### Rationale

The 'A-' corporate credit ratings on PacifiCorp reflect what Standard & Poor's Ratings Services views as a "significant" financial profile and is supported by its modest use of leverage to finance a large capital program and adequate cash flow metrics. Its "excellent" business profile benefits from the geographical, market, and regulatory diversity provided by its six-state service territory. PacifiCorp is an electric utility that serves customers under the name Rocky Mountain Power in Utah, Wyoming, and Idaho, and as Pacific Power in Oregon, Washington, and California. Utah and Oregon are the most important regions for the company, providing around 42% and 24% of annual retail sales, respectively.

PacifiCorp's financial performance has held steady throughout the recession. The utility's credit metrics would have deteriorated slightly in 2010 but for the benefits of bonus depreciation, which added \$700 million in deferred taxes to the company's \$1.4 billion in cash flow. Beneath this benefit, authorized rate increases in Utah, Wyoming, and Idaho supported a 1% increase in gross margin, but operating revenues and operating income for the year were both down slightly, by 0.6% and 2.2%, respectively, largely due to lower wholesale volumes and margins and weaker growth in retail sales. In 2010, funds from operations (FFO) to total debt was 25%, FFO interest coverage was 5.4x, and leverage was 50%.

A key consideration in 2011 is whether resurgence in sales will occur to rekindle modest growth. Although overall 2010 retail sales revenues increased by about 1%, this growth has been led by Rocky Mountain Power (which accounted for roughly two-thirds of retail sales). Utah's population and economic growth continue to outpace the nation's. Declines have been meaningful for Pacific Power, with retail sales falling a cumulative 4.4% over 2009 and 2010 on a weather-adjusted basis. Industrial load loss has been especially significant in Oregon, but may have bottomed.

Our expectation in 2011 is that the sales growth for Rocky Mountain Power market will continue to improve. A slower, more hesitant recovery appears likely for Pacific Power sales, and we expect retail sales through 2012 there to remain below levels seen when MidAmerican Energy Holdings Co. (MEHC; BBB+/Stable) acquired PacifiCorp in March 2006. As a result, growth led by Rocky Mountain should produce financial metrics in line with past performance, with FFO to total debt in the high teens and FFO interest coverage of 4.0x-4.5x. These expectations do not reflect any additional benefits for bonus depreciation. Leverage is not forecast to change from its current level of 50% of total capitalization.

PacifiCorp is wholly owned by MEHC. In turn, MEHC is privately held and majority owned by Berkshire Hathaway (AA+/Stable/A-1+). MEHC's stated strategy when it acquired PacifiCorp was to invest significant capital to upgrade its infrastructure. Its largest project is Energy Gateway, a new, 2,000-mile high-voltage transmission line that is being constructed in segments. In the company's 2010 10-K filing, it disclosed that it expects to spend \$6 billion for the project, with about \$1 billion of that amount to be spent over the next three years. MEHC has demonstrated a willingness to support the utility's capital program, providing PacifiCorp with \$1.1 billion equity

contributions since 2006. This has allowed the company to grow without straining borrowings.

The company's consolidated earned return on equity, at 8.2%, is below authorized levels, which vary but are in the area of 10%. For the company's investment strategy to succeed, PacifiCorp's customers will be required to shoulder nearly annual increases in electric rates at a time when utility regulators around the U.S. are especially focused on holding down costs. A March ruling in Idaho, which is a small portion of PacifiCorp's franchise, reduced the company's request by \$11 million to \$13.8 million, noting that difficult economic conditions challenge customer ability to pay rate increases. Two large rate cases are in process in Utah and Wyoming. It has requested a \$232 million increase in Utah effective September 2011 that would increase rates an average of 14% if approved as filed. Also pending is a \$98 million rate case in Wyoming, representing a 17% increase, with rates also requested to go into effect in September.

### Liquidity

On a stand-alone basis (i.e., unenhanced by the existing contingent equity agreement available to MEHC to support any of its regulated subsidiaries, including PacifiCorp) we view the company's liquidity as "adequate" under our corporate liquidity methodology. This methodology categorizes liquidity in five standard descriptors (exceptional, strong, adequate, less than adequate, and weak). Projected sources of liquidity, which consist of operating cash flow and available bank lines, exceed projected uses, the company's committed capital expenditures, debt maturities, and common dividends by more than 1.2x over the next 12 months. Under our criteria, we exclude as sources of liquidity any facilities expiring within one year of the liquidity assessment date. This assessment does not consider MEHC draws on its contingent equity that it could make to support PacifiCorp's projected capital requirements and debt maturities over the next two years.

As of Dec. 31, 2010, cash and cash equivalents totaled \$31 million. The utility maintains unsecured credit facilities totaling nearly \$1.4 billion that mature 2012-2013. (A \$760 million facility decreases to \$720 million in July 2011. This reduction is reflected in our liquidity calculations.) As of Dec. 31, 2010, the company had additional borrowing capacity of \$1.1 billion, because of \$36 million of borrowings under the facility and \$304 million of liquidity reserved to support variable-rate tax-exempt bond obligations and letters of credit. There are no rating triggers on the credit lines. PacifiCorp's next substantial long-term debt maturities are \$587 million due in 2011 and \$261 million in 2013.

### Outlook

The stable outlook on the PacifiCorp ratings incorporates our expectation that MEHC will continue to support the utility by contributing sufficient equity to manage its debt levels to 50% of total capitalization on a fully adjusted basis. We expect FFO to total debt and FFO interest coverage will be in the high teens and the 4.0x-4.5x range, respectively. We view these cash flow levels as minimum levels to maintain the rating. As in 2010, credit metrics could exceed these levels this year, depending on whether the company is able to utilize bonus depreciation benefits. We do not expect upward ratings momentum for the utility, given its heavy investment program. PacifiCorp benefits from regulatory insulation from its parent. Our criteria provide that the PacifiCorp corporate credit rating can be no more than three notches above the MEHC consolidated credit rating. The companies are a notch apart. We do not see significant risks that the utility rating will fall as a result of adverse rating changes on MEHC, which also has a stable rating outlook.

Copyright © 2011 by Standard & Poors Financial Services LLC (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

The McGraw-Hill Companies

**Rating Action: Moody's affirms PacifiCorp ratings**

---

Global Credit Research - 09 May 2011

**Approximately \$7 billion of debt affirmed / \$400 million of new debt rated**

New York, May 09, 2011 -- Moody's Investors Service today affirmed PacifiCorp's long- and short-term debt ratings and assigned an A2 rating to its proposed \$400 million first mortgage bond offering. PacifiCorp's ratings that were affirmed include its senior secured rating of A2, senior unsecured rating and issuer rating of Baa1, and preferred stock rating of Baa3, and short-term commercial rating of Prime-2. The company's rating outlook remains stable.

**RATING RATIONALE**

These rating actions reflect Moody's assessment of PacifiCorp's financial and operational performance and business risk as the company prepares to issue first mortgage bonds under its shelf registration. The proceeds will be used for general corporate purposes, including the refinancing of over \$500 million of maturing debt during the second half of this year.

"PacifiCorp's ratings are supported by the stability of the utility's regulated cash flows, the geographically diverse and relatively constructive regulatory environments in which it operates, the diversification of its generation portfolio, and solid credit metrics," said Moody's vice president Mhoko Manabe.

PacifiCorp's ratings also take into account PacifiCorp's position as a subsidiary of MidAmerican Energy Holdings Company (Baa1 senior unsecured) and the benefits from its affiliation with Berkshire Hathaway Inc. (Aa2 issuer rating).

Although regulatory lag continues to be a challenge for PacifiCorp, the company has obtained reasonable rate relief, which should enable it to maintain credit metrics at levels that Moody's expects longer term. Moody's noted that PacifiCorp's recent credit metrics have been unusually strong, due much in part to the temporary impact of bonus depreciation. In 2009 and 2010, for example, PacifiCorp's ratios of cash from operations before changes in working capital (CFO pre-W/C) to Debt, calculated in accordance with Moody's standard adjustments, were around 26% (compared to 19% in 2008) and its CFO pre-W/C interest expense coverages, in the low 5 times range (up from 4.2 times in 2008). Some of this improvement was from a fundamental increase in rates, but the majority of it was attributable to bonus depreciation, which will end in 2012.

Without bonus depreciation, CFO pre-W/C to Debt would have been around 20% and CFO pre-W/C interest expense coverage would have been in the mid 4 times range during 2009-2010. After the bonus depreciation ends in 2012, Moody's anticipates that PacifiCorp's credit metrics will return to such levels that were typical before 2009 which will strongly support its current ratings.

While the size of the company's capital expenditures limits the prospects for a rating upgrade in the near-term, the rating could be upgraded if reasonable regulatory support and a conservatively financed capital expenditure program results in a sustained improvement in credit metrics. This would include, for example, PacifiCorp's ratios of CFO pre-W/C to Debt remaining around the mid 20% range, and CFO pre-W/C interest expense coverage remaining in the upper 4 times, on a sustainable basis.

The ratings could be adjusted downward if PacifiCorp's planned capital expenditures are funded in a manner inconsistent with its current financial profile, or if there were to be adverse regulatory rulings on current and future rate cases such that we would anticipate a sustained deterioration in financial metrics as demonstrated, for example, by a ratio of CFO pre-W/C to Debt falling to the upper teens, and/or its CFO pre-W/C interest expense coverage being in the upper 3 times over an extended period.

**Assignments:**

..Issuer: PacifiCorp

....Senior Secured First Mortgage Bonds, Assigned A2

**Affirmations:**

....Senior Secured rating of A2

....Senior Unsecured rating and Issuer Rating of Baa1

....Preferred Stock rating of Baa3

....Short Term Commercial Rating of P2

The principal methodology used in this rating was Regulated Electric and Gas Utilities published in August 2009.

PacifiCorp, headquartered in Portland Oregon, is an indirect, wholly-owned subsidiary of MidAmerican Energy Holdings Company.

**REGULATORY DISCLOSURES**

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, public information, confidential and proprietary Moody's Investors Service information, and confidential and proprietary Moody's Analytics information.

Moody's Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of maintaining a credit rating.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

The date on which some Credit Ratings were first released goes back to a time before Moody's Investors Service's Credit Ratings were fully digitized and accurate data may not be available. Consequently, Moody's Investors Service provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website [www.moodys.com](http://www.moodys.com) for further information.

Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

New York  
Mhoko Manabe  
VP - Senior Credit Officer  
Infrastructure Finance Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

New York  
William L. Hess  
MD - Utilities  
Infrastructure Finance Group  
Moody's Investors Service  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653

Moody's Investors Service  
250 Greenwich Street  
New York, NY 10007  
U.S.A.  
JOURNALISTS: 212-553-0376  
SUBSCRIBERS: 212-553-1653



© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever

(including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MS have, prior to assignment of any rating, agreed to pay to MS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MS also maintain policies and procedures to address the independence of MS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moodys.com](http://www.moodys.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.

Global Credit Research - 09 May 2011

Portland, Oregon, United States

**Ratings**

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured	A2
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured MTN	(P)Baa1
Preferred Stock	Baa3
Commercial Paper	P-2
<b>Ult Parent: Berkshire Hathaway Inc.</b>	
Outlook	Stable
Issuer Rating	Aa2
Senior Unsecured	Aa2
ST Issuer Rating	P-1
<b>Parent: MidAmerican Energy Holdings Co.</b>	
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1

**Contacts**

Analyst	Phone
Mhoko Manabe/New York	212.553.1942
William L. Hess/New York	212.553.3837

**Key Indicators**

[1]PacifiCorp ACTUALS	1Q10 LTM	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	5.1x	5.3x	4.0x	3.9x
(CFO Pre-W/C) / Debt	24.3%	26.0%	18.7%	17.9%
(CFO Pre-W/C - Dividends) / Debt	24.2%	26.0%	18.7%	17.9%
Debt / Book Capitalization	42.1%	42.4%	43.2%	44.7%

[1] All ratios are calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying [User's Guide](#).

**Opinion**

**Rating Drivers**

- Reasonably supportive regulatory environment
- Well diversified generation portfolio and service territory
- Solid credit metrics
- Benefits from Berkshire Hathaway affiliation

**Corporate Profile**

PacifiCorp (Baa1 senior unsecured, stable) is an electric utility holding company headquartered in Portland, Oregon serving 1.7 million retail electric customers in six states. It owns vertically integrated electric utilities serving Utah (42% of PacifiCorp's 2010 retail electricity volumes), Oregon (24%), Wyoming (18%), Washington (8%), Idaho (6%), and California (2%). PacifiCorp also has minor operations in wholesale power marketing (as a result of excess electricity generation or other system balancing activities) and coal mining, both which support its core utility business.

PacifiCorp is the largest subsidiary of MidAmerican Energy Holdings Company (MEHC: Baa1 senior unsecured, stable), accounting for over 40% of MidAmerican's EBITDA in 2010. MEHC, in turn, is a consolidated subsidiary of Berkshire Hathaway Inc. (BRK: Aa2 issuer Rating, stable).

#### **SUMMARY RATING RATIONALE**

PacifiCorp's ratings are supported by the stability of the utility's regulated cash flows, the geographically diverse and relatively constructive regulatory environments in which it operates, the diversification of its generation portfolio, and solid credit metrics. The rating also considers PacifiCorp's position as a subsidiary of MEHC, a holding company whose subsidiaries are primarily engaged in regulated activities, and the benefits from its affiliation with BRK.

#### **Recent Developments**

- PacifiCorp has filed for a \$232 million base rate increase in Utah (its largest jurisdiction by far) and a \$80 million increase in Wyoming. Any rate changes are expected to be effective in September 2011.

- PacifiCorp was granted its first energy cost adjustment mechanism in Utah in February 2011 and a revised mechanism in Wyoming in March 2011.

- In May 2011, the company obtained a \$34 million base rate increase (70% of its request) in Washington, which was based on a 9.8% return on equity.

#### **DETAILED RATING CONSIDERATIONS**

##### **Reasonably supportive regulatory environment**

PacifiCorp's rating recognizes the rate-regulated nature of its electric utilities which generate stable and predictable cash flows. PacifiCorp operates in regulatory jurisdictions that Moody's considers as average in terms of framework, consistency and predictability of decisions along with an expectation of timely recovery of costs and investments. This "average" assessment is in line with Moody's views of most U.S. state jurisdictions compared to regulatory environments elsewhere in the world.

Regulatory lag continues to be a challenge for PacifiCorp, which has long maintained large capital programs to meet load growth as well as regulatory requirements for emissions control, renewable standards, and reliability. Although PacifiCorp has been filing rate cases every year or so in its largest jurisdictions and getting reasonable outcomes (roughly \$700 million of rate increases granted over the past five years), it is still earning returns on equity of about 8% compared to roughly 10% that it is allowed.

The pace of rate filings is likely to continue with its \$6 billion Energy Gateway transmission project and its Lakeside II gas plant which are both currently being constructed. Ability to use a forward test year in its rate requests helps to limit regulatory lag in Utah, Oregon, Wyoming, and California. The company has been successful in getting approvals for its major projects; however, it is exposed to some disallowances in most of its jurisdictions, where pre-approvals on projects or cash returns on construction work in progress are not granted.

Some states where PacifiCorp operates have historically not been amenable to power cost adjustment mechanisms, although that is improving from a credit standpoint. Moody's views fuel and purchased power adjustment provisions as supportive to credit quality as they add predictability to utility cash flows and reduce implementation lag. Notably, earlier this year, PacifiCorp was approved to implement a form of fuel cost adjustment for the first time in Utah, its largest jurisdiction, along with a revised mechanism in Wyoming, its third largest. Washington is now the only jurisdiction where PacifiCorp does not have a power cost adjustment, but it is only a minor part of its overall sales.

Within the framework of Moody's August 2009 Rating Methodology for Regulated Electric and Gas Utilities (the Methodology), for Factor 1: Regulatory Framework, PacifiCorp maps to a rating factor in the Baa range. The Baa rating reflects regulatory environments which are generally supportive although PacifiCorp needs on-going rate relief. For Factor 2: Ability to Recover Costs and Earn Returns - PacifiCorp has energy adjustment mechanisms in most of its jurisdictions and maps to a rating factor in the Baa range.

##### **Well diversified generation portfolio and service territory**

PacifiCorp benefits from a well diversified generation portfolio. Its 10,623 MW generation fleet is comprised primarily of low-cost base load coal and hydro assets, supporting its position as a low cost energy supplier. In 2008-2010, coal fired capacity contributed 62-65% and hydro contributed 5% of PacifiCorp's energy supply. Natural gas fired capacity supplied much of the remainder. In addition, PacifiCorp has 1,032 MW of wind capacity which mitigates some of its exposure to volatile natural gas prices.

Due to the balanced fuel-mix including an average level of coal generation, within the framework of the Methodology, for Factor 3: Diversification - Generation and Fuel Diversity, PacifiCorp maps to a rating factor in the Baa range.

PacifiCorp's retail sales volumes appeared to be recovering from the recession, as indicated by a nominal increase in 2010 after

declining 3% in 2009. Considering that the demographic trends in its service areas are better than the U.S. average, PacifiCorp's load growth could return to more historical ranges of 2-3% annually over the next few years.

Within the framework of the Methodology, for Factor 3: Diversification - Market Position, PacifiCorp's six-state service territory results in a rating factor score in the Arange.

#### Solid credit metrics

In 2009 and 2010, PacifiCorp's credit metrics have mapped to Aranges Indicated in the Methodology. The ratio of cash from operations before changes in working capital (CFO pre-W/C) to Debt, calculated in accordance with Moody's standard adjustments, have been around 26% (compared to 19% in 2008) and its CFO pre-W/C interest coverage, in the low 5 times range (up from 4.2 times in 2008). Some of this improvement was derived from a fundamental increase in rates, but much of it was due to bonus depreciation, a temporary benefit which will extend through 2012.

Without bonus depreciation, CFO pre-W/C to Debt would have been around 20% and CFO pre-W/C interest expense coverage would have been in the mid 4 times range during 2009-2010. After the bonus depreciation ends in 2012, Moody's anticipates that PacifiCorp's credit metrics will return to such levels that were typical before 2009.

#### Benefits from Berkshire Hathaway affiliation

Moody's notes that PacifiCorp upstreamed dividends totaling \$550 million to MEHC earlier this year, its first since being acquired by MEHC in 2006. MEHC had made equity contributions in each of the last five years totaling \$1.1 billion to help PacifiCorp finance its capital expenditures during this period. As a result, PacifiCorp's equity ratio (as measured by unadjusted equity to equity plus debt) accreted to 53% as of year-end 2010. This year's dividends are intended to manage PacifiCorp's equity ratio at around 50% which is more in line with the capital structures approved by its regulators. In future years, PacifiCorp is likely to make additional dividends periodically depending on its capital requirements and equity ratio.

From a credit perspective, the company's ability to retain its earnings as an entity that is privately held, particularly by a deep-pocketed sponsor like BRK, is an advantage over most other investor owned utilities that are typically held to a regular dividend to their shareholders. An additional tangible benefit from PacifiCorp's BRK affiliation is an equity commitment agreement, expiring on February 28, 2014, between MEHC and BRK, under which BRK has committed to provide up to \$2 billion through February 2014. Equity from this agreement may be requested to fund MEHC's debt obligations or to provide capital to MEHC's regulated subsidiaries, including PacifiCorp. This agreement thus provides PacifiCorp with an additional source of alternate liquidity.

#### Liquidity Profile

PacifiCorp's liquidity position appears sufficient to meet its foreseeable capital needs over the next four quarters. Large ongoing capital expenditures for its Energy Gateway transmission projects, new generation capacity, and environmental equipment will keep PacifiCorp in a cash shortfall. PacifiCorp's near-term internally generated cash flow of over \$1.4 billion (assuming 2010 cash flow as a baseline) and a \$345 million tax refund related to 2010 bonus depreciation will not fully cover its 2011 \$1.6 billion capital budget, \$550 million of dividends, and \$533 million of various first mortgage bonds coming due in the second half of 2011. Consequently, Moody's expects PacifiCorp will refinance its first mortgage bonds and meet its remaining cash needs with a combination of long- and short-term borrowings.

PacifiCorp currently has \$1,395 million committed under two revolving credit facilities. As of March 31, 2011, PacifiCorp had \$821 million of available capacity, net of \$270 million of short-term borrowings and \$304 million of letters of credit to support variable-rate pollution control bonds.

One \$635 million revolving credit facility expires in October 2012. The second revolver currently has \$760 million of availability, which will be reduced to \$720 million in July 2011, then to \$630 million in July 2012 until its expiration in July 2013. PacifiCorp relies on these credit facilities to backstop its commercial paper program and to support its variable rate tax-exempt bonds.

These credit agreements do not require MAC representation for borrowings, which Moody's views positively. The sole financial covenant is a limitation on debt to 65% of total capitalization. As of March 31, 2011, PacifiCorp had ample headroom under that covenant with that ratio at 49% as defined in the agreement.

PacifiCorp's most significant near-term debt maturity is \$500 million of first mortgage bonds due on November 15, 2011. Other upcoming first mortgage bond maturities are small and numerous, totaling \$87 million in the second half of 2011 and \$17 million in 2012.

#### Rating Outlook

The stable outlook incorporates Moody's expectation that PacifiCorp will continue to receive reasonable regulatory treatment for the recovery of its higher capital expenditures, and that the funding requirements will be financed in a manner consistent with management's commitment to maintain a healthy financial profile. After the bonus depreciation ends in 2012, Moody's anticipates that PacifiCorp's credit metrics will return to the levels more typical before 2009, with CFO pre-W/C to Debt around 20% and CFO pre-W/C interest expense coverage in the low to mid 4 times range.

#### What Could Change the Rating - Up

While the size of the company's capital expenditures limits the prospects for a rating upgrade in the near-term, the rating could be

upgraded if reasonable regulatory support and a conservatively financed capital expenditure program results in a sustained improvement in credit metrics. This would include, for example, PacifiCorp's ratios of CFO pre-W/C to Debt remaining around the mid 20% range, and CFO pre-W/C interest expense coverage remaining in the upper 4 times range, on a sustainable basis.

#### What Could Change the Rating - Down

The ratings could be adjusted downward if PacifiCorp's planned capital expenditures are funded in a manner inconsistent with its current financial profile, or if there were to be adverse regulatory rulings on current and future rate cases such that we would anticipate a sustained deterioration in financial metrics as demonstrated, for example, by a ratio of CFO pre-W/C to Debt falling to the upper teens, and/or its CFO pre-W/C interest expense coverage being in the upper 3 times range over an extended period.

#### Rating Factors

##### PacifiCorp

Regulated Electric and Gas Utilities [1][2]	Dec-31-2010		Moody's 12-18 month Forward View As of May 9, 2011*	
	Measure	Score	Measure	Score
<b>Factor 1: Regulatory Framework (25%)</b>				
a) Regulatory framework		Baa		Baa
<b>Factor 2: Ability to Recover Cost and Earn Returns (25%)</b>				
a) Ability to recover Cost and Earn Returns		Baa		Baa
<b>Factor 3: Diversification (10%)</b>				
a) Market Position		A		A
b) Generation and Fuel Diversity		Baa		Baa
<b>Factor 4: Financial Strength, Liquidity, &amp; Metrics (40%)</b>				
a) Liquidity		Baa		Baa
b) CFO (pre w/c) + Interest / Interest	5.3x	A	4x-5x	A
c) CFO (pre w/c) / Debt	25.7%	A	20-25%	A
d) CFO (pre w/c) - Dividends / Debt	25.7%	Aa	15-20%	A
e) Debt / Capitalization	38.9%	A	39-42%	A
<b>Rating:</b>				
Indicated Rating from Grid		Baa1		Baa1
Actual Rating Assigned		Baa1		Baa1

\* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010; Source: Moody's Financial Metrics



© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MS have, prior to assignment of any rating, agreed to pay to MS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MS also maintain policies and procedures to address the independence of MS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.