PACIFICORP
A MIDAMERICAN ENERGY HOLDINGS COMPANY

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

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IDAHO PUBLIC
UTILITIES COMMISSION

May 3, 2013

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 report related to PacifiCorp.

Very truly yours,

Bruce Williams
Vice President and Treasurer

Enclosure

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Summary:
PacifiCorp

Primary Credit Analyst:
Gerrit W Jepsen, CFA, New York (1) 212-438-2529; gerrit_jepsen@standardandpoors.com

Secondary Contact:
Dimitri Nikas, New York (1) 212-438-7807; dimitri_nikas@standardandpoors.com

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Summary:

PacifiCorp

Corporate Credit Rating	A-/Stable/A-2

Profile Assessments		
BUSINESS RISK	EXCELLENT	Vulnerable — Excellent
FINANCIAL RISK	SIGNIFICANT	Highly leveraged — Minimal

Rationale

Business Risk: Excellent	Financial Risk: Significant
• Stable operating cash flow from the regulated utility operations supports the credit profile • Roughly 65% of revenue from "less credit supportive" regulatory environments • About 70% of retail revenue is derived from residential and commercial customers, which provides cash flow diversity and at least a base level of usage • Prudent management of coal-fired generating units to meet growing environmental compliance requirements • Parent MidAmerican Energy Holdings Co. (MEHC) does not expand nonregulated operations to a level that would result in a change to the business risk profile	• Net cash flow to capital spending to remain less than 100% • Discretionary cash flow to remain negative • Over the next several years, capital spending remains about the same because previously planned spending levels by PacifiCorp have been curtailed. • EBITDA growth consisting of revenue increases and customer growth expected to be about the same as in recent years • Berkshire Hathaway could acquire businesses riskier than the current businesses of MEHC, which has been used as the holding company for energy assets • Sizable parent level debt remains a rating consideration

Outlook: Stable

The stable rating outlook on PacifiCorp reflects our expectation that management will continue to focus on its core utility operations and reach construction regulatory outcomes to avoid any meaningful business risk rise. The outlook also includes our projection that cash flow measures will decrease as construction projects move forward and bonus depreciation benefits decrease. Our base forecast includes adjusted funds from operations (FFO) to total debt of about 18%, adjusted debt to EBITDA of roughly 4x, and adjusted debt to total capital hovering at 50%. These measures are consistent with our expectations for the rating.

Downside scenario

We could lower ratings if financial measures consistently underperform our base forecast and remain at less credit-supportive levels, including adjusted FFO to total debt of less than 17%, adjusted debt to EBITDA that exceeds 5x, and adjusted debt to total capitalization of more than 54%.

Upside scenario

We do not contemplate positive rating actions because of near-term capital needs, but we could raise ratings if financial measures strengthen and consistently exceed our base forecast, including FFO to total debt greater than 22%, debt to EBITDA less than 4x, and debt to total capital of no more than 47%.

Standard & Poor's Base-Case Scenario

Our base case scenario results in moderate EBITDA growth, negative discretionary cash flow, and mostly steady debt to capital.

Assumptions

- EBITDA growth from average retail sales growth of about 1.5% and incremental cost recovery through various rate mechanisms, including base rate increases
- Rate recovery through surcharge mechanisms for capital projects, if requested
- Capital spending and dividend payouts that result in negative discretionary cash flow, indicating external funding needs

Key Metrics*

	2012A	2013E	2014E
FFO/Total debt (%)	19.5%	16%-19%	15%-18%
Debt/EBITDA (x)	4.5x	3.8x-4.3x	3.8x-4.3x
Total debt/Total capital (%)	50.3	48%-52%	48%-52%

A--Actual. E--Estimate. *Standard & Poor's adjusted consolidated financial measures for PacifiCorp include adjustments to debt for pension-related items ($382 mil.), accrued interest not in reported debt ($113 mil.), and asset retirement obligations ($83 mil.). EBITDA adjustments include pension-related items ($23 mil.) and asset retirement finance costs ($5 mil.). FFO adjustments include pension-related items ($38 mil.) and operating leases ($6 mil.). We do not expect these adjustments to change materially in 2013 and 2014.

Business Risk: Excellent

Our assessment of PacifiCorp's business risk profile as "excellent" reflects that it is a vertically integrated electric utility with geographical, market, and regulatory diversity over its six-state service territory. PacifiCorp provides power to its 1.7 million retail customers in Utah, Wyoming, and Idaho as Rocky Mountain Power and in Oregon, Washington, and California as Pacific Power. Utah and Oregon are the most important markets for the company, providing about 45% and 25% of annual retail sales, respectively.

There are provisions between MEHC and PacifiCorp that provide for raising the utility's rating above MEHC's 'BBB+' corporate credit rating. PacifiCorp's stand-alone credit measures and business risk profile must also support the higher rating. MEHC is privately held and majority owned by Berkshire Hathaway Inc. Our criteria provide that our corporate credit rating on PacifiCorp can be no more than three notches above the MEHC consolidated credit rating. PacifiCorp is currently rated one notch higher than parent MEHC.

PacifiCorp has made modest strides in improving key business and regulatory aspects. Despite the sluggish economic recovery in the company's Pacific Northwest territory, its western states, especially Utah, continue to exhibit some growth. PacifiCorp has been able to eke out rate increases that are in line with our expectations, and the utility was granted a fuel and purchased power adjuster in Utah last year. Fuel adjustment mechanisms exist for all states but Washington. A key ongoing challenge for PacifiCorp is whether it will be able to achieve rate relief at levels necessary to sustain the company's capital investment program. The program has been at high levels and will remain so in the next few years, despite the sluggish economic recovery. MEHC has been consistent in its investment strategy for PacifiCorp, with ongoing capital spending that will continue to result in the need for regular revenue increases,

requiring prudent cost recovery management.

Financial Risk: Significant

We consider PacifiCorp's financial risk profile "significant" based on its consolidated financial measures, which include adjusted financial measures (FFO to total debt of 19.5%, debt to EBITDA of 4.5x, and debt to total capital of 50%, all for the 12 months ended Dec. 31, 2012) that are in line with the rating. Also, we consider the company's financial policies to be aggressive. Capital spending and dividend payments translate to rising negative discretionary cash flow over the forecast period, indicating external funding needs and vigilant cost recovery by management to maintain cash flow measures. Our base-case forecast suggests FFO to total debt weakening to about 18%, due in part to the waning benefits of bonus depreciation. We also expect other debt leverage measures to vary, with debt to EBITDA decreasing to about 4x and total debt to total capital remaining at about 51%.

Liquidity: Adequate

PacifiCorp's stand-alone liquidity position is considered "adequate" under our liquidity methodology. We expect that its liquidity sources over the next 12 months will exceed its uses by 1.2x. We do expect PacifiCorp will need over the next few years to externally fund a portion of its liquidity needs for capital spending and debt maturities.

Principal Liquidity Sources	Principal Liquidity Uses
• FFO of roughly $1.4 billion in 2013 • Assumed credit facility availability of about $1.2 billion in 2013	• Debt maturities of $261 million in 2013 • Working capital outflows of $35 million • Capital spending of about $1.6 billion in 2013 • Distributions of about $100 million in 2013

Covenants

PacifiCorp had an adequate cushion of compliance with its one financial covenant (consolidated debt, including current maturities, to total capitalization to be less than 65%). Headroom could erode if debt rises rapidly without adequate growth in equity during a capital spending phase or due to high dividend payouts.

Recovery Analysis

We assign recovery ratings to first mortgage bonds (FMBs) issued by U.S. utilities, which can result in issue ratings being notched above a corporate credit rating (CCR) on a utility depending on the rating category and the extent of the collateral coverage. The FMBs issued by U.S. utilities are a form of "secured utility bond" (SUB) that qualify for a recovery rating as defined in our criteria (see "Collateral Coverage and Issue Notching Rules for '1+' and '1' Recovery Ratings on Senior Bonds Secured by Utility Real Property", published Feb. 14, 2013).

The recovery methodology is supported by the ample historical record of 100% recovery for secured bondholders in utility bankruptcies in the U.S. and our view that the factors that enhanced those recoveries (limited size of the creditor

class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future.

Under our SUB criteria, we calculate a ratio of our estimate of the value of the collateral pledged to bondholders relative to the amount of FMBs outstanding. FMB ratings can exceed a CCR on a utility by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories depending on the calculated ratio.

PacifiCorp's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of more than 1.5x supports a recovery rating of '1+' and an issue rating two notches above the CCR.

Related Criteria And Research

- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008
- Business Risk/Financial Risk Matrix Expanded, Sept. 18, 2012
- 2008 Corporate Ratings Criteria: Ratios And Adjustments, April 15, 2008
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Collateral Coverage and Issue Notching Rules for '1+' and '1' Recovery Ratings on Senior Bonds Secured by Utility Real Property, Feb. 14, 2013
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008
- 2008 Corporate Criteria: Commercial Paper, April 15, 2008
- Corporate Criteria: Assessing U.S. Utility Regulatory Environments, Nov. 7, 2007
- Corporate Criteria: Standard & Poor's Methodology For Imputing Debt For U.S. Utilities' Power Purchase Agreements, May 7, 2007
- Parent/Subsidiary Links; General Principles; Subsidiaries/Joint Ventures/Nonrecourse Projects; Finance Subsidiaries; Rating Link to Parent, Oct. 28, 2004

Business And Financial Risk Matrix

	Financial Risk					
Business Risk	Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged
Excellent	AAA/AA+	AA	A	A-	BBB	--
Strong	AA	A	A-	BBB	BB	BB-
Satisfactory	A-	BBB+	BBB	BB+	BB-	B+
Fair	--	BBB-	BB+	BB	BB-	B
Weak	--	--	BB	BB-	B+	B-
Vulnerable	--	--	--	B+	B	B- or below

Note: These rating outcomes are shown for guidance purposes only. The ratings indicated in each cell of the matrix are the midpoints of the likely rating possibilities. There can be small positives and negatives that would lead to an outcome of one notch higher or lower than the typical matrix outcome. Moreover, there will be exceptions that go beyond a one-notch divergence. For example, the matrix does not address the lowest rungs of the credit spectrum (i.e., the 'CCC' category and lower). Other rating outcomes that are more than one notch off the matrix may occur for companies that have liquidity that we judge as "less than adequate" or "weak" under our criteria, or companies with "satisfactory" or better business risk profiles that have extreme debt burdens due to leveraged buyouts or other reasons. For government-related entities (GREs), the indicated rating would apply to the standalone credit profile, before giving any credit for potential government support.

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