



RECEIVED

825 NE Multnomah, Suite 2000
Portland, Oregon 97232

2014 OCT 14 AM 9:37

IDAHO PUBLIC
UTILITIES COMMISSION

October 13, 2014

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 attachment 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 Company¹.

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,

A handwritten signature in blue ink that reads "Bruce Williams".

Bruce Williams
Vice President and Treasurer

Enclosure

¹ On April 30, 2014, MidAmerican Energy Holdings Company changed its name to Berkshire Hathaway Energy Company.

**FITCH MAINTAINS BERKSHIRE HATHAWAY
ENERGY ON NEGATIVE WATCH & UPGRADES
PPW; PPW OUTLOOK TO POSITIVE**

Fitch Ratings-New York-03 October 2014: Fitch Ratings is maintaining Berkshire Hathaway Energy Company's (BHE's) Long- and Short-term Issuer Default and securities ratings on Rating Watch Negative. Fitch placed BHE on Rating Watch May 6, 2014 following the announcement of its planned \$7 billion AltaLink, L.P. (AltaLink) acquisition. Closing and funding of the planned AltaLink acquisition will be key factors in resolving the Rating Watch.

Concomitantly, Fitch has upgraded PacifiCorp's (PPW) IDR to 'BBB+' from 'BBB'. Fitch has also upgraded PPW's individual securities ratings as indicated at the end of this release. The Rating Outlook for PPW has been revised to Positive from Stable. The upgrade and Rating Outlook Positive reflect PPW's solid underlying credit metrics, balanced regulation, competitive rates, and manageable capex.

In addition, Fitch has also upgraded NPC and SPPC's short-term ratings to 'F2' from 'F3', reflecting the operating utilities' solid liquidity position.

Fitch has also affirmed the issuer default and securities ratings for the following subsidiaries: MidAmerican Funding LLC (MF), MidAmerican Energy Co. (MEC), NV Energy, Inc. (NVE), Nevada Power Co. (NPC), Sierra Pacific Power Company (SPPC), Northern Natural Gas Company (NNG) and Kern River Funding Corp. (KRF).

The Rating Outlook for these BHE subsidiaries is Stable.

A complete list of rating actions follows at the end of this release.

KEY RATING DRIVERS

- Ownership of BHE by Berkshire Hathaway, Inc. (BRK; IDR 'AA-'; Rating Outlook Stable) and enhanced group funding and capital retention capabilities;
- Closing and funding of BHE's pending acquisition of AltaLink;
- Strong, parent-only cash generation;
- Diverse regulated and utility-like, low-risk businesses provide strong, predictable earnings and cash flows;
- Constructive regulatory compacts across BHE's asset base with favorable rate case outcomes; and,
- Ring-fencing by special purpose entities preserves operating company credit quality.

BHE Affirmation: The ratings consider the favorable impact of BRK's 90% ownership of BHE by BRK. BHE's ratings are supported by its large high-quality portfolio of utility and utility-like assets primarily located in the U.S. and Great Britain. Consolidated BHE leverage is high. However, future cash flows from BHE's diverse portfolio of businesses are projected by Fitch to amply cover its estimated parent-only obligations.

BRK Halo: Ownership of BHE by BRK affords the former with the ability to retain capital typically paid out in the form of dividends by publicly held investor-owned-utilities (IOUs). This dynamic is a function of BRK's strong credit profile, large cash position (\$55 billion as of Jun. 30, 2014) and investment appetite.

As a result, ownership by BRK provides BHE with greater relative cash flow and liquidity, all else equal, compared to the typical IOU and a distinct competitive advantage, in Fitch opinion.

Other benefits include BRK's tax appetite and willingness to provide competitive funding to support BHE strategic growth initiatives, including M&A.

M&A: BHE has been an active consolidator in the utility, power and gas sector, acquiring high quality, low-risk electric and gas utility, electric transmission and natural gas pipeline assets. Large acquisitions in recent years include the \$9.5 billion (enterprise value [EV]) PPW acquisition in 2006 and \$10 billion NV Energy, Inc. (IDR 'BBB-'; Rating Outlook Stable by Fitch) acquisition in Dec. 2013.

In addition, Fitch expects BHE will close on its \$7 billion EV bid to acquire Canadian-based electric transmission operator, AltaLink by the end of 2014. Requests for approval of the proposed merger have been filed with Canadian authorities. The pending close and funding of the AltaLink acquisition will be key determinants in resolving BHE's Rating Watch Negative.

Consolidated Financial Metrics: The recent acceleration of BHE M&A activity and associated increase in parent-company leverage is estimated by Fitch Ratings to pressure BHE's consolidated credit metrics.

Fitch projects FFO coverage and leverage ratios will range from 3.7x to 4.0x and 4.8x to 4.4x, respectively, during 2014 - 2018. Fitch's pro forma BHE estimates assume the AltaLink acquisition closes at year-end 2014, among other things.

Solid Liquidity: BHE's liquidity is strong, with total available consolidated liquidity of \$5.6 billion as of June 30, 2014. Liquidity is comprised of BHE's \$1.5 billion in consolidated cash and \$4.1 billion of unused borrowing capacity under its \$5.4 billion of credit facilities.

BHE has a \$2 billion parent-only credit facility that matures 2017 and supports its commercial paper (CP) program.

PPW Rating Upgrade: The PPW upgrade and Rating Outlook Positive reflects PPW's strengthening credit metrics and rate increases granted by regulators to recover its large, historic capex. The ratings and outlook also consider PPW's relatively low business risk, more manageable prospective capex, competitive resource base, below-industry-average retail rates and solid financial metrics.

Fitch forecasts FFO coverage and leverage ratios will be equal to or better than 4.7x and 4.0x, respectively, supporting the higher 'BBB+' IDR. Performance consistent with Fitch's expectations over the next 12 -18 months is expected to result in positive resolution of the rating Outlook.

PPW's multi-state service territory and diversified regulatory environment support the ratings and Outlook. PPW operates in six states: Utah, Wyoming, Idaho, Oregon, Washington and California. Regulatory compacts across PPW's service territory are generally well-balanced.

However, the Washington Utilities and Transportation Commission's (WUTC's) December 2013 order in PPW's general rate case rejected the utility's request for a power cost adjustment mechanism (PCAM) but authorized a \$17 million rate increase.

Rejection of the PCAM will result in continued commodity price exposure and somewhat higher business risk for PPW's Washington-based operations and is a modest credit negative.

On a more constructive note, the Utah Public Service Commission (PSC) authorized a two-phase total rate increase of \$57 million for PPW in August 2014.

Fitch notes that Washington is relatively small slice of PPW's consolidated operations, representing 7% of consolidated 2013 kilowatt hour (kwh) sales. By comparison, Utah, Oregon and Wyoming represent 44%, 24% and 17% of kwh sales respectively.

Regulatory outcomes across the remainder of PPW's service territory have been and are expected to continue to be balanced. PPW has approved fuel adjustment clauses in place that mitigate commodity price exposure in all of its regulatory jurisdictions except WA, representing 90% of PPW's consolidated revenues.

PPW's annual 2013 capex of \$1.065 was 34% below the \$1.6 billion invested in 2010 and is expected to remain essentially flat in 2014. Capex averaged \$1.5 billion 2010 - 2012. The lower 2013 - 2014 capex reflects a slow-down in anticipated load growth and deferral of certain planned transmission and generation projects to future years.

As a result of its large capex program, PPW has been an active filer of rate cases in all six of its regulatory jurisdictions with balanced outcomes prevalent. Fitch expects lower capex will slow the pace of rate case filings somewhat, easing upward pressure on PPW's below-industry-average retail kwh rates.

MF/MEC Ratings Affirmed: The ratings affirmations are based on the credit quality of MEC, an integrated regulated electric utility. MF is an intermediate holding company owned by BHE. MF in turn owns MEC and is dependent on distributions from the utility to meet its ongoing obligations.

MF and MEC's ratings and their respective Stable Rating Outlooks reflect the utility's relatively low business risk profile, solid financial metrics, and a balanced regulatory environment in Iowa.

Fitch estimates that MF and MEC's financial metrics will remain consistent with Fitch's target medians and peers. MF's FFO coverage and leverage ratios are expected to range between 5.3x - 5.9x and 4.3x - 3.4x, respectively through 2018. The same metrics for MEC are forecast to range between 5.9x - 6.4x and 3.8x - 3.1x, respectively, over the five-year forecast period.

MF and MEC's ratings consider the constructive outcome in MEC's last rate case filing. In that proceeding, the Iowa Utilities Board (IUB) increased MEC's base rates \$266 million consistent with the company's requested rate increase. The base rate increase will be phased in through Jan. 1, 2016.

In addition, the approved MEC settlement authorized energy and transmission cost adjustment mechanisms. The IUB's order includes revenue sharing based on specific ROE hurdles.

NVE & Subs Affirmed: The ratings and Rating Outlooks Stable for NVE, NPC and SPPC reflect strengthening consolidated credit metrics due primarily to a \$159 million revenue increase granted to NPC Dec. 2011 to recover large historic capital investment. The ratings also reflect NVE's manageable debt levels, a balanced regulatory environment in Nevada and slowly improving regional economic conditions.

Favorable regulatory features in Nevada include: GRC filings are required at least every three years with a decision required within seven months from the filing date and adjustments for known and measurable adjustments to the test year; pre-approval of capex; and, timely fuel and purchase power cost recovery mechanisms.

Fitch notes that NPC filed a settlement agreement reached with the relevant parties to its current GRC with the Nevada Public Utilities (PUCN) that will result in no change to base rates. A final PUCN ruling is expected by the end of this year.

Fitch projects NVE FFO coverage and leverage 2014 - 2016 of 4.1x and 4.3x, respectively, or better, levels consistent with the affirmed 'BBB'-IDR.

NNG Ratings Affirmed: The ratings and Rating Outlook Stable for NNG reflect the pipeline's strong business position and relatively low business risk profile. NNG's natural gas transportation system is an essential source of contracted supply to its Upper Midwest utility customer base.

Counter-party credit risk is ameliorated by the pipeline's diverse group of primarily highly rated off-takers with multi-year contracts. NNG's ratings also consider the pipeline operator's constructive regulatory compact and its consistent ability to earn reasonable returns on equity, typically in the low double digits.

KRF Ratings Affirmed: The ratings consider KRF's relatively predictable earnings and cash flows and a balanced FERC regulatory compact. The ratings also consider the pipeline's manageable projected capex, declining debt and improving credit metrics from an already strong base.

The KRF pipeline transports competitive Rocky Mountain natural gas to large volume end-users in Utah, Southern Nevada and Southern California.

Re-contracting and more stringent rules regarding pipeline integrity and related issues are potential sources of concern for both NNG and KRF. Fitch believes these concerns are manageable within the pipelines' current rating categories given their strong competitive positions in their respective markets and ongoing infrastructure investment by management.

RATING SENSITIVITIES

Future developments that may, individually or collectively, lead to a positive rating action include:

--BHE: High consolidated leverage limits positive rating actions in the near-to-intermediate term. Nonetheless, improvement in FFO-adjusted leverage to 3.6x - 3.8x or better on a sustained basis could result in future credit rating upgrades.

--MF: Structural subordination of MF debt to MEC and current notching requires an upgrade at the utility to accommodate an MF upgrade.

--MEC: The utility's already strong credit rating limits positive rating actions. However, debt reduction resulting in EBITDAR leverage of 3.25x or better on a sustained basis could trigger future credit rating upgrades.

--PPW: Improvement in PPW's earnings and FFO leverage ratios to 3.4x - 3.8x, respectively, or better, could result in a one notch upgrade in 12 - 18 months.

--NVE/NPC/SPPC: Improvement in NVE's FFO leverage to better than 4.25x on a long-term projected basis could lead to a one-notch upgrade for NVE and its operating subsidiaries, NPC and SPPC.

--NNG and KRF: The pipelines' relatively high ratings challenge future positive rating actions.

Future developments that may, individually or collectively, lead to credit rating downgrades include:

--BHE: Deterioration of BHE's FFO adjusted leverage to worse than 4.7x - 5.1x on a consistent basis would likely lead to future credit downgrades.

Longer-term, a change in ownership structure and/or strategic direction at BRK eliminating or diminishing capital retention and other benefits currently available to BHE would likely lead to future downgrades at the utility holding company.

--MF and MEC: A deterioration of MEC's FFO leverage to 4x or worse on a sustained basis would likely lead to credit rating downgrades for both MEC and MF.

--PPW: A rating downgrade seems unlikely in Fitch's view given the current positive outlook for PPW. However, an unexpected, sustained weakening of FFO leverage (due to deterioration in PPW's regulatory oversight, higher-than-expected capex or other factors) to 4.3x - 4.7x or worse could lead to future credit rating downgrades.

--NVE/NPC/SPPC: An unexpected deterioration in the currently constructive regulatory compact in Nevada or other factors pressuring FFO leverage to 4.9x - 5.1x or weaker for NVE could lead to future, adverse rating actions for NVE and its subsidiaries.

--NNG: Deterioration of NNG's FFO leverage to 4.0x or weaker could result in future credit rating downgrades.

--KRF: Given the pipeline's already low and amortizing debt, credit rating downgrades appear unlikely at this juncture.

Fitch has taken the following rating actions as indicated:

Berkshire Hathaway Energy Co. (BHE)

- Long-term 'BBB+' IDR maintained on Rating Watch Negative;
- Senior unsecured 'BBB+' rating maintained on Rating Watch Negative ;
- Trust Preferred 'BBB-' rating maintained on Rating Watch Negative ;
- Short-term 'F2'IDR maintained on Rating Watch Negative.

PacifiCorp (PPW)

- Long-term IDR upgraded to 'BBB+' from 'BBB';
- Senior secured debt upgraded to 'A' from 'A-';
- Senior unsecured debt upgraded to 'A-'from 'BBB+';
- Preferred stock upgraded to 'BBB' from 'BBB-';
- Short-term IDR affirmed at 'F2';
- Commercial paper affirmed at 'F2'.

The Rating Outlook has been revised to Positive from Stable.

NV Energy (NVE)

- Long-term IDR affirmed at 'BBB-';
- Senior unsecured debt affirmed at 'BBB-'.

The Rating Outlook is Stable.

Nevada Power Co. (NPC)

- Long-term IDR affirmed at 'BBB';
- Senior secured debt affirmed at 'A-';
- Short-term IDR upgraded to F2 from 'F3'.

The Rating Outlook is Stable.

Sierra Pacific Power Co. (SPPC)

--Long-term IDR affirmed at 'BBB';
--Senior secured debt affirmed at 'A-';
--Short-term IDR upgraded to F2 from 'F3'.

The Rating Outlook is Stable.

MidAmerican Funding LLC (MF)

--Long-term IDR affirmed at 'BBB+';
--Senior secured debt affirmed at 'A-'.

The Rating Outlook is Stable.

MidAmerican Energy Company (MEC)

--Long-term IDR affirmed at 'A-';
--Senior secured debt affirmed at 'A+';
--Senior unsecured debt affirmed at 'A';
--Short-term IDR affirmed at 'F1';
--Commercial paper affirmed at 'F1'.

The Rating Outlook is Stable.

Kern River Funding Corp. (KRF)

--Long-term IDR affirmed at 'A-';
--Senior unsecured debt affirmed at 'A-'.

The Rating Outlook is Stable.

Northern Natural Gas Co. (NNG)

--Long-term IDR affirmed at 'A';
--Senior unsecured debt affirmed at 'A'.

The Rating Outlook is Stable.

Contact:

Primary Analyst
Philip W. Smyth, CFA
Senior Director
+1-212-908-0531
Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004

Secondary Analyst
Roshan Bains
Director
+1-212-908-0211

Committee Chairperson
Shalini Mahajan
Senior Director
+1-212-908-0351

Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: brian.bertsch@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:

- 'Rating U.S. Utilities, Power and Gas Companies' (March 7, 2014);
- 'Corporate Rating Methodology' (May 28, 2014);
- 'Parent and Subsidiary Rating Linkage' (Aug. 5, 2013).

Applicable Criteria and Related Research:

Rating U.S. Utilities, Power and Gas Companies (Sector Credit Factors)

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=735155

Corporate Rating Methodology - Including Short-Term Ratings and Parent and Subsidiary Linkage

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=749393

Parent and Subsidiary Rating Linkage Fitch's Approach to Rating Entities within a Corporate Group Structure

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=714476

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE '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. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.