Exhibit No. ___(MPG-19)
Docket Nos. UE-050684/UE-050412
Witness: Michael P. Gorman

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, vs. PACIFICORP d/b/a PACIFIC POWER & LIGHT COMPANY Respondent.	)	**Docket No. UE-050684** **Docket No. UE-050412** *(consolidated)*

EXHIBIT NO.___(MPG-19)

CREDIT RATING REPORTS

November 3, 2005

STANDARD &POOR'S | RATINGSDIRECT

Return to Regular Format

Research:

PacifiCorp

Publication date: 22-Sep-2004
Credit Analyst: Anne Selting, San Francisco (1) 415-371-5009

Corporate Credit Rating

A-/Stable/A-2

Outstanding Rating(s)

PacifiCorp	
Sr unsecd debt	
Local currency	BBB+
Sr secd debt	
Local currency	A-
CP	
Local currency	A-2
Sub debt	
Local currency	BBB+
Pfd stk	
Local currency	BBB
Scottish Power PLC	
Corporate Credit Rating	A-/Stable/A-2
Sr unsecd debt	
Foreign currency	BBB+
Pfd stk	
Foreign currency	BBB
Scottish Power U.K. PLC	
Corporate Credit Rating	A-/Stable/A-2
Sr unsecd debt	A-
CP	
Foreign currency	A-2
PacifiCorp Holdings Inc.	
Corporate Credit Rating	A-/Stable/--
Scottish Power Energy Management Ltd.	
Corporate Credit Rating	A-/Stable/A-2
Scottish Power Energy Retail Ltd.	
Corporate Credit Rating	A-/Stable/A-2
Scottish Power Generation Ltd.	
Corporate Credit Rating	A-/Stable/A-2
Scottish Power Investments Ltd.	
Corporate Credit Rating	A-/Stable/A-2
SP Distribution Ltd.	
Corporate Credit Rating	A-/Stable/A-2
SP Manweb PLC	

Corporate Credit Rating	A-/Stable/A-2
SP Transmission Ltd.	
Corporate Credit Rating	A-/Stable/A-2
PacifiCorp Capital I	
Corporate Credit Rating	A-/Stable/--
Pfd stk	BBB
Local currency	
PacifiCorp Delaware LP	
Corporate Credit Rating	A-/Stable/--
Pfd stk	NR
Local currency	
PacifiCorp Group Holdings Co.	
Corporate Credit Rating	BBB/Stable/NR

Corporate Credit Rating History	
Sept. 29, 1994	A/A-1
Nov. 9, 2001	A-/A-2

Major Rating Factors

Strengths:

- An improving regulatory environment, as evidenced by the roughly $100 million in retail electric rate increases that were granted in five of the six states that PacifiCorp serves, enabling the utility to strengthen its financial performance;
- A strengthened supply portfolio that should ensure that PacifiCorp's owned capacity and wholesale purchases, along with its hedging and balancing activities, are adequate to meet expected load obligations;
- Resolution over recovery of costs associated with the 2001-2002 energy crisis that will allow the utility to collect more than $300 million in deferred power purchases, the majority of which has been collected;
- Electric rates that compare favorably to alternative regional suppliers, coupled with the absence of retail competition in all states but Oregon, where participation in retail choice is still very limited; and
- Market diversity, as reflected in PacifiCorp's sales to retail electric customers in six western states.

Weaknesses:

- The lack of a power or fuel cost adjustment mechanism in any of the states that PacifiCorp serves, coupled with reliance on a fairly high level of wholesale purchases to meet loads, which creates the potential for authorized rates to be insufficient to meet actual costs;
- Sizable capital expenditures that are driven largely by infrastructure needs along the Wasatch Front in Utah and which will peak at more than $1 billion in fiscal 2006 and will require additional debt financing;
- PacifiCorp Holding Inc.'s (PHI) strategic focus on increasing the non-regulated operations of PacifiCorp's' affiliate, PPM Energy Inc., which consist of renewable and gas-fired generation as well as gas storage operations, coupled with nonregulated activities at two of PHI's other subsidiaries; and
- The expiration of hydro licenses for much of the utility's 1,100 MW of capacity, creating uncertainties over remediation costs and potentially resulting in reductions in the operational capacity of the dams to address environmental concerns.

Rationale

PacifiCorp is a wholly owned subsidiary of PHI, which in turn is a nonoperating, direct, wholly owned subsidiary of U.K. utility holding company ScottishPower plc. ScottishPower acquired PacifiCorp in

1999, and PHI was created as the U.S. nonoperating subsidiary in December 2001. In addition to PacifiCorp, PHI consists of three smaller subsidiaries:

- PPM Energy Inc. (PPM) develops wind generation, sells gas-fired generation under long-term contract, and owns gas storage assets in Alberta, Canada, and Texas;
- Pacific Klamath Energy (PKE) provides operating and maintenance services to the Klamath Cogeneration plant, a 525 MW facility that is owned by the City of Klamath Falls, Ore. Through a power purchase agreement, PPM is the offtaker of about half of the generation of the plant.
- PacifiCorp Group Holdings Co. (PGHC) owns PacifiCorp Financial Services (PFS), which has investments in aircraft leasing and receives royalties from a synthetic fuel operation that it sold to the Marriott Corp. in 2001.

PacifiCorp is headquartered in Portland and serves about 1.6 million retail customers in a 136,000-square-mile service territory in portions of Utah, Oregon, Wyoming, Washington, Idaho, and California. Business is conducted under the legal names of Pacific Power and Utah Power & Light.

PacifiCorp is by far the largest company within the PHI family. In fiscal 2004 (ended March 31), the utility recorded $943 million in operating profits. In contrast, PPM, PHI's second-largest subsidiary, recorded $63 million in operating profits for the same year. PacifiCorp is also pivotal to the credit quality of ScottishPower as it constitutes about 45% of operating profits.

PHI's consolidated debt consists of obligations at PacifiCorp, which in fiscal 2004 totaled $3.76 billion. Other debt outstanding at PHI's subsidiaries is limited to intercompany notes between PHI and its subsidiaries, the largest of which is between PPM and PHI for $594 million. There is no external debt at the PHI level, and none is expected. PHI's corporate credit rating, which reflects the credit rating of 'A-' assigned to ScottishPower and its rated subsidiaries, exists to provide a parent guarantee for trading activities at PPM Energy. None of PHI's other three subsidiaries are rated by Standard & Poor's Ratings Services.

ScottishPower's business profile is supported by the low-risk nature of its regulated monopoly transmission and distribution businesses. Notably, the performance of PacifiCorp markedly improved in the past few years due to the regulatory recovery of costs relating to expensive purchased power contracts signed during the California energy crisis. PacifiCorp's financial performance is expected to remain solid. The U.K. infrastructure unit, which represents about 40% of operating profit, recently received a relatively positive draft determination from the regulator. If upheld, this determination should ensure solid financial performance for the five-year period from 2005.

The U.K. generation and supply business has benefited from enhanced margins, due primarily to higher wholesale electricity prices and an increased customer count. The unit is still subject to power supply and price risk, especially given its aggressive customer acquisition strategy. To reduce these risks, the company acquired the Damhead Creek power plant and renegotiated the Peterhead contract with Scottish and Southern Energy PLC (AA-/Stable/A-1+). The expiration of contracts with British Energy PLC (SD/--/--) in 2005 should better position ScottishPower's supply balance.

ScottishPower continues to invest in the growth of PPM Energy, the company's U.S. unregulated trading and marketing business. PPM is the fastest-growing segment of the company's operations, and in 2004 generated $63 million, up substantially from the $45 million earned in 2003 and the $18 million reported in 2002.

The ratings on the consolidated ScottishPower enterprise are underpinned by the cash flow from the group's stable, regulated U.K. transmission and distribution and U.S.-based PacifiCorp businesses. Regulated business produce about 85% of ScottishPower's cash flows. The ratings on the group are also supported by: improved regulatory relationships, especially in the U.S. where PacifiCorp has received a number of favorable rate settlements; a good record of reducing costs and improving infrastructure operations performance; and a cautious approach to asset acquisition. These strengths are offset by an aggressive capital expenditure program, exposure to price volatility in the U.K. power market, a growing focus on the U.S. unregulated energy management business of PPM Energy, and the challenges of managing a geographically remote subsidiary. The capital expenditure program

should result in negative discretionary cash flow (after dividends and capital expenditure), although a sizable unrestricted cash balance should finance any shortfall. Net cash flow--funds from operations (FFO) less dividends paid--coverage of capital expenditure, mostly in regulated projects, is expected to be about 65%. Some investments are discretionary, and Standard & Poor's expects ScottishPower to limit its investment so as to maintain adjusted FFO interest coverage of about 4.0x and adjusted FFO to debt of 20%.

Outlook

The stable outlook reflects consolidated financial ratios that are adequate for the rating and steady operational and financial performance at the company's regulated subsidiaries. To maintain the rating, Standard & Poor's expects the company to produce cash flow coverage ratios commensurate with the 'A-' level--adjusted FFO interest coverage of about 4.0x and adjusted FFO to debt of 20%--and to manage its U.K. generation and supply and U.S. unregulated energy management business conservatively.

Short-term ratings factors.

The short-term rating on ScottishPower, ScottishPower U.K. PLC, and PacifiCorp is 'A-2'. In the short term, the companies are expected to have ample internal liquidity, owing to a steady, predictable net cash flow stream produced by regulated businesses, minimal debt maturities over the next few years, ample credit facility capacity, and more stable pricing in the Western U.S. power markets. ScottishPower's discretionary cash flow after dividends and capital expenditures are expected to be negative in 2004, but its sizable unrestricted cash balance should finance any shortfall. Cash balances, amounting to almost £845 million at June 30, 2004, are held in a variety of quickly accessible funds.

ScottishPower has sufficient liquidity to cover its outstanding debt obligations and good financial flexibility to access funds in the event of unexpected cash flow interruptions. Full capacity exists under a $1 billion revolving credit facility, split between a $625 million facility and a $375 million facility, both due in 2008. ScottishPower U.K. maintains a $2 billion euro-commercial paper program, which is mostly undrawn.

PacifiCorp has an $800 million revolving credit facility and a $1.5 billion domestic commercial paper program, which is mostly undrawn. At June 30, 2004, ScottishPower's long-term debt amounted to about £5.1 billion, of which about £300 million is due to mature within four years. Dividends are moderately high and expected to be equivalent to 65% of consolidated net profit.

Ratings Methodology

The 'A-' corporate credit rating assigned to ScottishPower and all its rated subsidiaries reflects the consolidated credit quality of the enterprise. The 'A-' rating on PacifiCorp's senior secured debt 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 unsecured notes of PacifiCorp are rated 'BBB+', one notch below the corporate credit rating, reflecting the structural subordination of this debt to the substantial amount of first mortgage bonds that is senior to it.

Regulation

The diverse regulatory environment that PacifiCorp faces is reasonable, although the absence of a fuel and purchased power mechanism in any of the states is a rating concern, and increases the pressure on the company to manage its fuel needs very prudently and proactively. Continued regulatory support is critical to the current ratings.

The generally supportive character of PacifiCorp's regulatory environment is evident in various recent decisions. A sizable capital expenditure program, coupled with rising fuel costs and declining wholesale revenues, is pushing PacifiCorp to file near yearly rate cases to ensure that the utility's current costs are reflected in current rates. In calendar 2003, PacifiCorp filed general rate cases in Utah, Oregon, Wyoming, and Washington. In fiscal 2004, the utility was awarded roughly $100 million in rate

increases, bringing PacifiCorp's total rate base to more than $7 billion. Each state's rate-setting process is based on the state commission's acceptance of its allocated share of PacifiCorp's costs. Table 1 provides a breakdown of PacifiCorp's recent rate case requests and the awarded amounts. Notably, none of the state commissions have disallowed the utility's recent capital expenditures.

Table 1 Summary of PacifiCorp Rate Cases

					Original request		Amount authorized			
State	Currently authorized rate base ($ in mil.)	% of total PacifiCorp elec. Rev. 2004	Most recent rate case date of filing	Date of decision	$ in mil.	% increase in retail rates	$ in mil.	% increase in avg. rates approved	Authorized return on equity (ROE)(%)	Anticipated Date of next GRC
Utah	2,864.75	38.4%	June 2003	Dec. 2003	125.0	12.5	65.0	7.0	10.70	Aug. 2004
Oregon	2,109.56	31.6%	March 2003	Aug. 2003	57.9	4.9	8.5	1.1	10.50	TBD
Wyoming	896.90	12.8%	May 2003	March 2004	41.8	13.1	23.0	7.2	10.75	TBD
Washington	596.31	8.3%	Dec. 2003	expected Nov. 2004	26.7	13.5	pending	pending	13.25	Jan. 2005
Idaho	313.22	6.3%	Sept. 1985	April 1986	14.3	11.2	4.1	3.3	13.40	Nov. 2004
California	187.76	2.5%	Dec. 2001	Nov. 2003	16.0	29.4	4.8 + 2.8	8.75 + 4.7	10.85	TBD

TBD–To be determined.

Standard & Poor's views the regulatory environments of Oregon, Utah, and Washington as positive for the credit quality. These states constituted 78% of PacifiCorp's electric operating revenues in 2003. Both the Oregon Public Utility Commission (OPUC) and the Utah Public Service Commission (UPSC) in 2003 approved PacifiCorp's general rate cases, authorizing returns on equity of 10.5% and 10.7%, respectively, which are consistent with national averages. PacifiCorp's approved rate increase in Oregon was only $8.5 million–a 1.1% increase in average rates--compared with an original request of $58 million based on a forward-looking test year. (This amount was later revised to $18 million as part of an all-party settlement.) However, PacifiCorp was also allowed to implement the new rates by Sept. 1, 2003, approximately five months earlier than scheduled, and was provided in 2004 with a one-time $12 million merger credit.

The UPSC has also been supportive of the company, which is critical because much of the utility's planned investment will be in Utah. In conjunction with PacifiCorp's approved integrated resource plan, the UPSC issued a certificate of convenience and necessity (CCN) on March 2004 for Currant Creek, a 525 MW gas-fired facility currently under construction 75 miles south of Salt Lake City. The Currant Creek project, which will cost an estimated $350 million ($618/kilowatt [kW]), has been extremely controversial. Stakeholders, many of whom were among the 100 bids submitted to the utility to build the plant, have argued that the evaluation process, which was overseen by a private consultant, was unfair. While the plant will move forward, with construction having started in April, the controversy has led state regulators to consider whether PacifiCorp should be allowed to bid to self-build future resources.

Following completion of Currant Creek, PacifiCorp must apply to the commission to receive approval to place the facility into rate base and could be at risk for disallowances, particularly if all-in costs exceed the $350 million estimate of self-build costs that the utility used to select its bid as the most cost effective. PacifiCorp is also planning an asset purchase of Lake Side, a 534 MW plant near Salt Lake City, which is expected to be online by the summer of 2007. PacifiCorp has requested a CCN from the UPSC, and a ruling is expected by December 2004. Capital costs for the plant are expected to be about $330 million ($667/kW). Under a cost sharing agreement between each of the states in which PacifiCorp operates, recovery of PacifiCorp's investment in the plant will be reviewed by the states PacifiCorp serves as part of a future general rate case.

In early August, PacifiCorp filed a general rate case in Utah, seeking $111 million, or a 9.6% retail rate increase, that is principally needed to pay for the new power plants and continue its Wasatch transmission and distribution investments. The utility is seeking an 11.125% return on equity, up from 10.7%. If approved, the rate increase would take effect in April 2005.

With respect to California, the regulatory climate faced by PacifiCorp has improved, with the California Public Utilities Commission (CPUC) pledging, for example, in early 2004 to restore and preserve investment-grade ratings for Pacific Gas & Electric (BBB-/Stable/NR), which emerged from bankruptcy in April 2004. PacifiCorp's California territory is small and limited to the largely rural and northernmost portions of the state. Given its size, the principal regulatory risk for PacifiCorp during the Western power crisis was not so much the actions taken by the CPUC but staffing limitations that prevented the resolution of the utility's December 2001 general rate case until nearly two years later.The fact that California is the least important market to the utility, as measured by revenues, and the expectation that a rate case filing will not be needed before 2007, mitigates any regulatory concerns at this time.

Wyoming and Idaho pose a measure of uncertainty to PacifiCorp's regulatory profile. These two states contributed about 19% of PacifiCorp's operating revenues in 2003. In March 2003, the Wyoming Public Service Commission (WPSC) disallowed PacifiCorp's request to recover $91 million in purchased power costs, of which $31 million was associated with replacement power costs incurred due to a 2002 outage at its Hunter 1 facility, a 430 MW unit located near Castle Dale, Utah, that was offline for nearly seven months. PacifiCorp has filed an appeal of the WPSC decision with the state supreme court and a complaint in federal district court, both of which are pending. In total, PacifiCorp deferred $537 million in power costs, ultimately requesting recovery of $415 million, of which $303 million was ultimately approved, with Wyoming constituting the lion's share of the gap between the requested and granted amounts.

Following the disallowance, the utility sought regulatory approval for a fuel and purchased power mechanism, which the WPSC rejected in April 2004, leaving PacifiCorp exposed to regulatory risk in the form of ex-post disallowance of power and fuel costs. However, as part of its April ruling, the WPSC encouraged the company to request incremental adjustments to the net power cost calculations annually to reflect changes in purchased power costs. In early July, the utility filed such an application, requesting an $11.8 million increase in retail rates (about 3.4%) to reflect its increases in purchased power costs. In September, the WPSC approved a settlement between PacifiCorp and several consumer and citizen groups on the application. The settlement reduces the company's original request to $9.25 million, or an an overall retail rate increase of about 2.7% for PacifiCorp 's Wyoming customers, effective Sept. 15.

This increase is in addition to the WPSC's March 2004 decision in PacifiCorp's general rate case that granted the utility a $23 million rate adjustment--an average rate increase of 7.2%--based on the utility's original request of $42 million--or a 13% increase in rates. PacifiCorp, which has not filed a rate case in Idaho since 1985, is expected to request a rate increase at the end of 2004.

PacifiCorp faces regulatory challenges in connection with its efforts to relicense its hydroelectric dams. About 97% of PacifiCorp's 1,164 MW of hydro capacity is licensed by the Federal Energy Regulatory Commission (FERC) and substantially all of PacifiCorp's 50-year licenses to operate its 54 hydro plants that have expired or are expiring over the next few years. The company is currently engaged in a significant relicensing process that involves about 20 individual licenses and nearly all of the utility's total owned hydro plant.

The relicensing process is a political as well as regulatory process that entails sensitive resource issues. Relicensing is typically a much-contested process in the Pacific Northwest, and the company faces the greatest challenges from environmentalists for its four largest hydro systems that are located on the Umpqua, Klamath, Bear, and Lewis Rivers. Chief among the concerns is the extent to which the configuration and operation of existing dams impede fish passage and thereby reduce salmon stocks. Conservationists and other parties have argued that the dams should be substantially modified or removed. In particular, conservationists have argued that the removal of the 165 MW Klamath facilities, which includes Iron Gate, Copco 1 and 2, and JC Boyle, is both cost effective and technically feasible.

To date, PacifiCorp has been granted a license to 2033 for its 107 MW Bear River assets as well as a

2038 license for its 185 MW North Umpqua River system that includes Five North Umpqua plant, Clearwater Nos. 1 and 2, and Fish Creek units. However, some environmental groups sought a rehearing of the new license. FERC rejected this rehearing in March but the case has been appealed to the U.S. Ninth Circuit Court of Appeals. Efforts to reach a settlement for the 509 MW Lewis River system are ongoing. The company has also filed a pending application to relicense its 160 MW Klamath River hydro facility, whose license expires in 2006 and separately has reached settlements to decommission three hydro facilities that total nearly 17 MW.

Standard & Poor's has reviewed the company's confidential estimates of total costs for relicensing each hydro facility and has concluded that these costs are significant.

Hydro relicensing costs are included in a state's general rate case when the license has or is close to being extended. To date, the company has yet to file for recovery of substantial amounts of hydro costs in the rate base. While the risk of disallowance is unlikely given the value of the PacifiCorp's hydro system from an operational and resource diversity perspective, the company is in the earliest stages of requesting recovery of hydro relicensing costs, and the ultimate outcome in each jurisdiction is not known.

Markets

Retail markets.

PacifiCorp enjoys slightly above-average retail electric markets, the drivers of which include continued good sales growth in Utah, its largest service territory; the geographic dispersion of its service territories over six states, which provides an unusually high level of market diversity; and the economic performance of these areas, which is expected to modestly outpace U.S. economic indicators. The portion of electricity sales to residential customers, which was 39% in 2003, is average. Among the utility's top 10 retail customers there is no industrial concentration and these customers account for no more than 9% of total retail electric sales.

As shown in Table 2, Utah and Oregon territories collectively constituted more than 70% of the utility's electric operating revenues. The most important regional market for the utility is Salt Lake City. Much of the state's economic activity is concentrated in and around the Wasatch Front, which is an 80-mile mountain range that runs through the four largest counties in the Salt Lake City area. PacifiCorp serves about 37% of the metropolitan population, and in 2004, customers in Salt Lake County accounted for 22% of PacifiCorp's total customer base of 1.6 million customers.

Table 2 PacifiCorp 2003 Retail Sales, Revenues and Customers by State

Statistic	Utah	Oregon	Wyoming	Washington	Idaho	California	Totals
Operating revenues ($)	935,661	769,298	305,999	196,302	142,102	59,386	2,408,748
% of elec. operating revenues	38.8	31.9	12.7	8.1	5.9	2.5	100.0
MWh sales	18,640,036	12,873,008	7,522,060	3,923,620	3,207,228	806,232	46,972,184
% MWh sales	40	27	16	8	7	2	100
Billing count	744,222	499,427	172,644	126,285	63,278	45,658	1,651,514
Billing %	45	30	10	8	4	3	100
Customer count	705,486	477,642	164,023	120,776	61,758	43,384	1,573,069
Customer % to total	44.8	30.4	10.4	7.7	3.9	2.8	100.0
Population 2003	2,342,085	2,374,557	410,472	463,149	516,178	257,606	6,364,047
Service territory (square miles)	52,332	21,135	38,733	2,711	9,916	11,293	136,120
State square miles	84,990	98,386	97,818	71,303	83,557	155,959	592,013
% of State square miles	62	21	40	4	12	7	23
CAGR MWhs (2000-2004)(%)	1.8	(0.8)	1.0	1.3	2.3	2.3	0.9
CAGR MWhs (2005-2009) forecast (%)	4.1	1.0	0.5	0.9	(0.0)	2.3	2.2
HHEBI	113.5	92.2	93.5	80.7	96.4	70.9	N/A

As a western state, Utah is generally outperforming the nation but overall is not as economically strong as other southwest and mountain states such as Arizona, Nevada, Colorado, and Idaho. A significant challenge for the state is to stimulate sufficient job growth to reduce outmigration to neighboring states that offer higher wages and greater opportunities for educated workers. A key weakness in Utah is the predominance of low-paying jobs, with average wages at about 85% of the national average. Utah's non-agricultural employment growth was negative in 2002, while other states, particularly Nevada, Arizona, and New Mexico added positions; much of Utah's losses have been in higher wage jobs. However, relative to a U.S. unemployment rate of 5.9% for 12 months ended March 2004, Utah's rate of 5.5% is comparable. Positive attributes of the state economy include low business costs, aggressive state programs to attract new industries to Utah, and a young workforce.

Population growth in the Utah counties served by PacifiCorp is positive, averaging about 4% over a three-year period from 2000 through 2003. From fiscals 2000-2004, the utility's compound average annual growth (CAGR) of electric sales in Utah has been 1.8%, which is higher than U.S. averages but lower than that seen in cities such as Phoenix, Las Vegas, and Tucson. For fiscals 2005-2009, PacifiCorp is forecasting CAGR of retail electric sales in Utah to be about 4.1%, driven largely by expectations for continued expansion of population along the Wasatch Front.

Household effective buying income (HHEBI), as weighted by billings, is very high, about 114%. While typically this statistic indicates a strong affluence of the utility's service area, in the case of Utah, HHEBI indicators are in part elevated due to the significant number of wage earners per Utah household. According to the Bureau of Economic and Business Research at the University of Utah, 2000 Census data indicates that the state leads the U.S. in the number of households with three or more wage earners.

PacifiCorp's five other markets are far more rural in character and display lower income levels than Utah. This is reflected in the more modest growth in electric sales of 1.5%-2.6%. In Oregon, PacifiCorp's largest retail service areas are in the southwestern and northeastern areas of the state, and it also provides service to some smaller areas in central Oregon, totaling about 21% of the state square miles. While the state's economy has suffered significantly in the last recession, losing some 30,000 jobs, many of which were in the energy-intensive aluminum and timber industries, the state is emerging from its downturn, and enjoys a relatively diverse economy, with a good research and development presence led by Intel, the third-largest employer in the state. HHEBI for the Oregon regions served by PacifiCorp, weighted by total billings, is about 92% of the U.S. average. From fiscals 2000-2004, CAGR of retail electric sales has been a negative 0.8%. Five-year average growth of electric sales in the areas served by PacifiCorp is expected to be about 1%.

PacifiCorp also serves a large portion of Wyoming, with its markets clustered in three noncontiguous areas of the state that include the southwest, northeast, and central sectors of the state and spans 40% of its area. Wyoming is heavily dependent on mining and government, its two top income-generating industries. Mining royalties make up nearly one-fifth of the state's budget, and thus the state's prosperity is significantly decoupled from national trends, instead being directly linked to the boom bust cycle of the mining and extraction industry. Despite overall low economic indicators, PacifiCorp serves some of the more prosperous areas in the state and HHEBI weighted by billings is about 94% of the U.S. average. From fiscals 2000-2004, compound average annual growth of electric sales has been about 1%. Five-year average growth of electric sales in the areas served by PacifiCorp is expected to be a low 0.5%.

Washington, Idaho, and California collectively constituted about 17% of PacifiCorp's electric sales in 2003. The utility serves a very small portion of Washington--(about 4% of the state's area), as well as the portions of eastern Idaho (about 12% of the state's area) and the sparsely populated very northern parts of California that border Oregon border (about 7% of the state's area). From fiscals 2000-2004, CAGR of retail sales have been 1.3% for Washington and 2.3% for both Idaho and California. Five-year average growth of electric sales is expected to be nearly 1% in Washington, negligible in Idaho, and about 2.3% in California. HHEBI indicators for these areas are all under the national average.

The weaker prospects for economic sales and overall less robust market characteristics of the

regions of these three states served by PacifiCorp are somewhat offset by the diversity of the regions PacifiCorp serves, reducing vulnerability to a single economy and the industries that support it. Although it is clear that a good deal of PacifiCorp's prospects for future growth is closely tied to the performance of Utah's economy, few U.S. investor-owned utilities enjoy such a range of service territories.

Wholesale sales.

In addition to its retail sales, PacifiCorp also earns sizable revenues from wholesale sales. In 2003, for example, the utility sold 62 million megawatt-hours (MWh), of which 47 million MWh were to retail loads, and the balance, 15 million MWh (24 percent), was wholesale. PacifiCorp's wholesale sales contributed $528 million of total revenues of $3.2 billion in fiscal 2004, which is consistent with 2003. This large level of sales is attributable to PacifiCorp's sale of surplus hydro capacity in the spring months as well as to commitments made under long-term contracts that stem from PacifiCorp's buildout of excess coal generation in the 1980s. As a result of these long-term contractual commitments, as PacifiCorp's native load has grown, particularly in Utah, it has had to either purchase additional long-term supplies to meet retail requirements or, as discussed further below, develop new generation projects. Given PacifiCorp's load growth and its roughly balanced supply and demand position, the utility is not actively engaged in long-term soliciting of additional sales, and any commitments are permitted as a function of available surplus.

■ Operations

Owing to its very low cost coal plants, PacifiCorp's thermal generation diversity, and an attractive portfolio that includes hydro, the utility enjoys an above-average power supply portfolio. It also benefits from a lack of exposure to nuclear power and an ownership or participation interest in 16 coal and gas facilities, which provides good portfolio diversity.

Current supply demand balance and resource mix.

At March 31, 2004, PacifiCorp owned or had interests in roughly 8,400 MW of nameplate capacity. Power purchases and exchanges provided an additional 2,590 MW, of which 1,978 MW is firm. As a result, the utility's 10,892 MW of resources slightly exceeded its summer peak load obligations of 10,791 MW, which includes both retail and firm wholesale sales obligations, and a 7% reserve margin. Load growth and a slight reduction of firm contracts are expected to result in PacifiCorp being roughly balanced between its retail and wholesale peak demand obligations and owned and contracted supply through 2007. As discussed in further detail below, the addition of two new Utah plants will add 1,059 MW incrementally from summer 2005 through summer 2007 and will result in the utility being long on peaking resources by about 502 MW in 2007.

PacifiCorp's resource portfolio is concentrated in coal, which in fiscal 2004 provided the utility with 68% of the energy needed to meet retail loads and firm wholesale commitments. Hydro, gas-fired plants and renewable resources collectively supplied about 10%, with purchases providing the balance. PacifiCorp owns hydro assets in all six of the states it serves, which provides an important resource for providing peaking resources. Fiscal 2004 was a below-average hydro year for the Pacific Northwest and, as a result, production is down slightly by 4.2%.

PacifiCorp typically purchases about 20 percent of its energy needs. In the recent past, PacifiCorp's financial performance was stressed as a result of a resource procurement strategy that was forced to rely on power purchases during the peak of the Western electricity crisis in 2001 and 2002. In November 2000, the utility's single largest unit, the 430 MW Hunter No. 1 coal facility, experienced a seven-month forced outage. Typically, the utility relies on its coal generation to supply about 70% of its energy requirements in a typical year, but during 2002, its thermal facilities supplied just 63% of requirements. And, during late 2001 and early 2002, hydro supplies were about 4% of total supplies, as opposed to about 6% seen in a typical year. As a result, during extreme price volatility, PacifiCorp purchased about 33% of its energy requirements. In response to escalating wholesale prices and its market exposure, the company entered into forward contracts with counterparties that were executed before the FERC's imposition of price caps for 11 Western states on July 19, 2001. The price caps dampened wholesale prices and the company was faced with out of the money contracts, which did not roll off until the mid-2003.

In fiscal 2004, about 22% of PacifiCorp's energy requirements were purchased, and of this quantity, about 8 percent are long-term purchases (of which more than half are under fixed price arrangements) and 14 percent are shorter term. This level of wholesale purchases is consistent with 2003, when purchases were about 23%, and forecast purchases are expected to remain at this level through 2006. Many of its contracts are for hydro capacity with various Pacific Northwest public utility districts that generally have investment grade credit. The utility's purchases are not concentrated with any one supplier and consist of investor-owned utilities, public utility districts, and qualifying facilities. Although the longest agreement extends into 2029, the majority of the utility's purchases are of intermediate length. PacifiCorp's two largest purchases are with Hermiston Generation Co. and TransAlta Energy Marketing (BBB-/Stable/--). PacifiCorp has an undivided 50% interest in Hermiston, which is a 474 MW plant in Oregon, and it procures all power and purchases the balance of the plant's output under a long-term contract.

In 2002, PacifiCorp entered into a 15-year operating lease for a 215 MW generation plant with West Valley Leasing Co. LLC, which is a subsidiary of PPM. PacifiCorp has an option to terminate the lease in 2005 and 2008. While the recent addition of gas-fired generation as well as plans to build new gas assets in Utah should reduce utility peak purchases, a significant disruption in the wholesale markets continues to pose a threat to the utility, particularly when considered against its lack of power cost adjustment mechanisms.

Production costs.

PacifiCorp's average variable and fixed cost of production, weighted by generation, was a very low $15.66/MWh in 2003, reflecting the utility's efficient coal plants and low cost hydro. The company has been targeting improved operating performance as a priority, which in fiscal 2004 resulted in a 1.7% increase in megawatt hours of production of PacifiCorp's thermal plant. This enhanced performance offset reduced output from the utility's hydro facilities.

Given the prominence of coal in the utility's portfolio, an important credit concern is the stability of PacifiCorp's coal supply and the price of this supply. Under long-term arrangements, the utility owns or leases from private parties and the Bureau of Land Management (BLM) much of the coal reserves that fuel its plants. For example, two-thirds of the supply for the company's largest coal plant, Jim Bridger (2,120 MW), is provided by an adjacent mine operated by Bridger Coal Co., a joint venture between Pacific Minerals Inc., a subsidiary of PacifiCorp, and Idaho Power Co., which has a one-third ownership in the Jim Bridger coal plant. The coal company pays royalties to the BLM and to private parties. The balance of coal for the Jim Bridger plant is supplied by the Black Butte mine under a contract that has both escalated and fixed pricing and expires in 2009. Through ownership or lease, as of March 31, 2004, the utility had an estimated 225 million tons of recoverable coal reserves under lease or ownership arrangements, against an annual use of about 25 million tons. PacifiCorp also relies on spot and contract purchases for some of its requirements.

PacifiCorp does have some exposure to rising coal prices given that several of its largest contracts have reopeners in the next three to five years. Specifically, in addition to the Jim Bridger contract, the utility's coal supply agreements for about 80% of the coal supply at Hunter has a reopener in 2007, and PacifiCorp's 700 MW Naughton plant in Wyoming has a reopener in January 2006.

New generation.

PacifiCorp is required to establish an integrated resource plan that solicits competitive bids to serve future loads. PacifiCorp issued a request for proposals (RFP) in June 2003 that sought bids for the construction of gas-fired resources to meet growing Utah loads. Through the process, PacifiCorp has elected to self-build Currant Creek, a new 525 MW gas-fired combustion turbine plant south of Salt Lake City. Currant Creek will be brought online in two phases, with two 140 MW (280 MW total) simple cycle turbines coming online in summer 2005 and the balance consisting of two heat recovery steam generators and steam generation turbines, which will be added in the spring 2006. Construction began in March.

In May, PacifiCorp also announced that it has entered into an asset purchase and sale agreement with Summit Vineyard LLC of Denver to develop and construct a 534 MW gas-fired combined-cycle combustion turbine near Salt Lake City. The Lakeside plant is expected to come online in the summer of 2007. Construction will led by Siemens Westinghouse Power Corp.

With these two new resources, PacifiCorp expects to be slightly long through 2007, but will need at least 600 MW beginning in 2008. The company plans to issue an additional RFP in 2004 calling for bids to procure resources that can be delivered to PacifiCorp's service territories in Utah, southwest Wyoming, or southeast Idaho. In addition, in February 2004, the utility issued a RFP for 1,000 MW of economic renewable resources, in response to OPUC's directive that the utility build a greener portfolio. The utility has not yet published results of this RFP.

Risk management.

As with other electric utilities, PacifiCorp is exposed to natural gas and power price and volume volatility. In fiscal 2004, for example, 54% of the operating expenses of $2.1 billion (excluding depreciation and amortization) were for power and fuel costs. The company strives to maintain a balanced or slightly long position to protect against unexpected events resulting from weather, forced outages, transmission constraints, and low hydro years. Through financial and physical contracting, the utility's exposure to commodity price fluctuations is relatively modest. Its five-day, 99% value at risk (VaR) for natural gas and electric purchases and sales is expected to be $16 million through 2006. Its VaR for the fiscal year ended March 31, 2004, was $18 million, but has been as high as $23 million over the year and as low as $8 million.

The company engages in only limited pure trading and marketing activities, with most sales related to the buying and selling of power to optimize its assets. PacifiCorp's risk management policies do not allow speculative trading or position taking, but do allow for some arbitrage trading, for example back-to-back buy/sell trades. In addition, most of PacifiCorp's wholesale sales are system firm, allowing the utility to cut deliveries without penalty if there is a force majeure event on its system. The company also maintains a general policy of being balanced or long during periods of high demand.

PacifiCorp's current policies are to fully hedge its gas purchases to achieve a balanced or slightly long position two years out. As a result, the gas supply required to meet the utility's average expected daily burn rate of 102,000 MMBTUs is fully hedged through 2006 via the use of fixed price, forward, physical purchases. With the addition of Currant Creek and Lakeside, which together will add 1,059 MW of new gas generation by 2007, gas purchase requirements are expected to be at least 195,000 MMBTUs per day. The company is re-evaluating its hedging strategies to incorporate physical and financial hedging mechanisms. To manage hydro risk, the utility has entered into a five-year stream flow budget hedge with Aquila Merchant Services that makes a payment to the utility in dry years and requires a payment from the utility in wet years. The agreement expires September 2006.

Competition

The competitiveness of PacifiCorp's retail rates, coupled with an absence of retail competition in the five of six states it operates in, is a clear credit attribute. Owing to its resource mix of efficient coal resources and significant low-cost hydro assets, as well as company efforts to cut costs, PacifiCorp's rates are low in all six states and, unusually, in nearly all the customer classes it serves. In all states, the utility's 2003 residential, commercial, and industrial rates were all highly competitive. Also notable is the absence of retail competition in all states but Oregon, where choice was introduced in the spring of 2002, but interest has been nominal.

While retail rates are very favorable, the combination of bringing new generation online, investing significantly in infrastructure in growing areas of service territory, rising fuel and purchased power costs, clean air investments, hydro relicensing costs, as well as rising medical insurance and pension costs are expected to put significant pressure on retail rates in the coming decade.

Financial

In line with Standard & Poor's consolidated ratings methodology, ScottishPower U.K.'s financial position is analyzed on a consolidated basis, including PacifiCorp and all other group businesses.

ScottishPower's financial policy is moderately aggressive. An onerous capital investment program geared at numerous growth projects is expected to markedly increase the company's debt balance. The sale of Southern Water Services enabled the company to reduce its debt, which had increased partly as

a result of the merger with PacifiCorp. Adjusted average total debt to total capital at the consolidated ScottishPower group is poor at about 61%, but is projected to decline to about 56% in fiscal 2005. Adjusted average total debt to total capital at PacifiCorp is about 58%.

Profitability and cash flow.

About 85% of operating profits and cash flow derive from ScottishPower's regulated businesses. Profit margins and cash flow protection measures for the group have been restored as PacifiCorp has been able to recover much of its deferred power costs incurred during the Western energy crisis as well as increase its regulated rate base. In addition, improvement of the utility's power supply and demand imbalance that persisted through much of the California energy crises has occurred. Moreover, margins from energy supply operations in the U.K. in recent years have increased. Ongoing support is provided by a diverse and predictable regulated revenue stream, the substantial rebalancing of PacifiCorp's demand with generation following commissioning of new generating capacity, and the ongoing delivery of significant cost savings at both operating utilities. The "Transition Plan" at PacifiCorp has delivered significant cumulative cost savings of more than $250 million, with this figure still expected to rise.

More than one-half of the company's sizable capital expenditure plan (projected at about £1.1 billion in fiscals 2004 and 2005) will be targeted at growth projects in electricity generation and networks and gas storage. Although projected capital expenditure is geared primarily toward low-to-moderate risk regulated projects, net cash flow coverage is expected to be low, and so Standard & Poor's expects ScottishPower to limit its investment so as to maintain FFO interest coverage of about 4.0x. Pretax interest coverage will remain modest at between 3.2x and 3.5x for the consolidated group, despite rising interest charges reflecting its increasing debt profile.

Capital structure and financial flexibility.

ScottishPower's onerous capital investment program is expected to markedly increase the company's debt balance. Net debt was reduced to about £4.3 billion at March 31, 2004, resulting in a balanced capital structure. However, debt will rise in line with the company's capital expenditure program. More than 80% of outstanding debt (about 70% is fixed rate) has a maturity of five years or more, which is conservative and reflects the long-term assets of the underlying business. In addition, the company's debt maturity profile has improved with the repayment of short-term borrowings. ScottishPower's recent $700 million convertible bond issue was structured in perpetual subordinated form and therefore receives a degree of equity credit.

ScottishPower maintains considerable short-term flexibility under its liquidity lines, and seeks to reduce refinancing risk by issuing longer-term debt that matches the life of its assets. Standard & Poor's expects ScottishPower to maintain significant cash balances until March 2005, when the use of committed backup facilities will be restored. The company has adequate cash balances and sufficient capacity under its $1 billion in revolving credit facility. Adequate borrowing capacity at the operating companies exists because ScottishPower U.K. maintains a $2 billion euro-commercial paper program and PacifiCorp has a $1.5 billion domestic commercial paper program and an $800 million revolving credit facility.

PHI's balance sheet reflects at March 31, 2004, intercompany acquisition related debt consisting of binding payment obligations equivalent in substance to $2.375 billion of medium term notes bearing interest of 6.75% and maturing between 2012 and 2017. Further, since Standard & Poor's looks at financials on a consolidated basis for ScottishPower, this transaction has no impact on the financial ratios. In the event that dividends from the operating subsidiary do not allow PHI to make interest or principal payments to ScottishPower, these obligations would be restructured by SP. However, to date, all obligations have been met on a timely basis and forecasts indicate that this will continue to be the case.

Table 3 Scottish Power Group Inc./PacifiCorp					
(£ in millions)					
	2004	2003	2002	2001	2000

Gross revenues	5,797.1	5,273.8	6,314.1	6,349.3	4,115.0
Net income	537.9	482.6	(987.1)	307.5	885.0
Funds from operations (FFO)	1,152.0	938.9	926.2	802.7	770.5
Net capital expenditures (capex)	844.0	666.4	1,167.8	1,046.3	862.2
Total debt	5,071.8	4,985.6	6,589.2	5,515.3	5,026.8
Preferred stock	0.0	0.0	0.0	0.0	0.0
Common equity	4,751.8	4,712.2	4,818.1	6,179.0	5,863.0
Total capitalization	9,823.6	9,697.8	11,407.3	11,694.3	10,889.8
Ratios					
Adjusted pretax interest coverage (x)	2.9	2.5	1.7	1.8	2.2
Adjusted FFO interest coverage (x)	4.3	3.1	3.0	3.0	3.9
Adjusted FFO/average total debt (%)	19.8	14.4	14.4	15.2	20.4
Net cash flow/capex (%)	136.3	165.5	7.6	49.1	33.5
Adjusted total debt/total capitalization	60.6	58.6	64.7	47.2	46.2
Return on average equity (%)	11.4	10.1	(18.0)	5.1	20.0
Common dividend payout (%)	73.3	108.5	(50.3)	156.7	46.1

Table 4 Peer Comparison

	ScottishPower Group (including PacifiCorp)	National Grid Transco PLC	Scottish and Southern Energy PLC	Endesa S.A.	Energie Baden Wuerttemberg AG
Country	United Kingdom (UK)	UK	UK	Spain	Germany
Credit Rating	A-/Stable/A-2	A/Stable/A-1	AA-/Stable/A-1+	A/Negative/A-1	A-/Stable/A-2
Year of Data	2004	2003	2003	2003	2003
(£ in millions)					
Gross revenues	5,797.1	9,400.0	4,065.3	16,644.0	10,609.0
Net income	537.9	391.0	446.2	1,312.0	(1,193.0)
Funds from operations (FFO)	1,152.0	2,509.0	618.6	4,050.0	593.0
Net capital expenditures (capex)	844.0	1,923.0	237.1	2,400.0	754.0
Total debt	5,071.8	14,479.0	1,229.0	18,249.0	8,049.0
Preferred stock	0.0	0.0	0.0	1,500.0	0.0
Common equity	4,751.8	1,236.0	1,481.8	12,246.0	1,544.0
Total capitalization	9,823.6	15,715.0	2,710.8	31,995.0	9,593.0
Ratios					
Adjusted pretax interest coverage (x)	2.9	1.6	6.7	2.3	3.0
Adjusted FFO interest coverage (x)	4.3	2.9	7.1	3.6	2.6
Adjusted FFO/average total debt (%)	19.8	13.3	42.9	18.5	7.0
Net cash flow/capex (%)	136.3	100.8	140.7	132.7	54.0
Adjusted total debt/total capitalization	60.6	93.1	52.4	61.7	84.0
Return on average equity (%)	11.4	25.9	28.0	11.2	(77.3)

Common dividend payout (%)	73.3	1.5	63.9	66.0	(15.5)

Table 5 PacifiCorp Market Segments

	2003	2002	2001	2000	1999
Sales					
Total retail (GWh)	48,339	47,030	47,708	48,300	46,605
Residential (%)	29.2	28.9	27.9	27.7	28.0
Commercial (%)	29.6	29.9	28.8	27.9	27.2
Industrial (%)	39.8	39.8	41.8	43.0	43.4
Other (%)	1.3	1.4	1.5	1.5	1.4
Wholesale (GWh)	24,677	30,533	22,851	29,953	36,315
Total sales (GWh)	73,015	77,563	70,559	78,254	82,921
Revenue					
Total retail ($ in millions)	2,409	2,315	2,363	2,281	2,173
Residential (%)	36.7	36.5	36.5	36.6	36.8
Commercial (%)	32.5	33.0	31.6	30.7	30.5
Industrial (%)	29.5	29.1	30.5	31.3	31.3
Other (%)	0.7	0.7	0.8	0.8	0.8
Wholesale ($ in millions)	1,011	972	2,053	1,736	1,052
Total revenue ($ in millions)	3,420	3,287	4,416	4,017	3,224
Annual sales growth(%)					
Residential	4.0	2.1	(0.6)	2.6	0.5
Commercial	1.9	2.2	2.1	6.3	3.1
Industrial	2.8	(6.1)	(3.8)	2.5	(3.4)
Total retail	2.8	(1.4)	(1.2)	3.6	(0.6)
Standard & Poor's retail average	18.3	35.3	23.0	19.0	19.2
Wholesale	(19.2)	33.6	(23.7)	(17.5)	(20.6)
Total sales growth	(5.9)	9.9	(9.8)	(5.6)	(10.5)
Retail customer growth	1.7	1.4	1.6	1.5	0.1

Table 6 Cost and Rates 2003 Peer Analysis

	$/Megawatt-hour (MWh)								
Company Name	**Fuel**	**Total Variable Production**	**Total Production NF**	**Purchase Power**	**Total Production**	**Total Power Supply**	**Residential Rate**	**Commercial Rate**	**Industrial Rate**
Arizona Public Service Co.	21.39	23.00	10.66	39.44	32.05	36.18	86.44	74.35	57.15
Avista Corp.	6.34	7.17	5.06	31.27	11.40	30.81	62.10	68.97	43.85
Black Hills Power Inc.	10.68	11.91	6.14	32.94	16.82	22.43	81.62	74.29	48.45
El Paso Electric Co.	21.63	23.45	9.34	44.45	30.97	33.05	107.41	98.35	56.48
Idaho Power Co.	7.94	8.83	4.52	47.30	12.46	23.74	62.33	49.61	40.12

Nevada Power Co.	32.04	33.33	6.45	63.58	38.49	58.45	88.13	91.07	80.34
PSC of Colorado	14.90	15.79	4.43	52.33	19.34	35.72	83.22	64.77	51.58
PacifiCorp	9.48	10.56	5.81	38.17	15.30	22.98	62.62	54.63	36.85
Pacific Gas and Electric Co.	4.31	6.45	10.74	33.09	15.05	31.84	126.38	135.04	85.08
Portland General Electric	14.60	15.84	6.56	39.49	21.16	35.27	78.23	68.61	54.99
Public Service Co. of New Mexico	15.53	16.92	13.76	41.23	29.29	35.36	84.84	74.97	50.03
Puget Sound Energy, Inc.	9.33	10.44	6.85	31.68	16.18	27.69	61.72	68.08	70.69
San Diego Gas & Electric Co.	4.02	8.47	22.35	59.90	26.37	48.94	163.34	161.06	122.18
Sierra Pacific Power Co.	48.15	49.30	5.76	51.39	53.91	56.72	104.12	95.40	73.86
Southern California Edison Co.	7.47	9.57	10.60	76.67	18.06	50.36	105.08	96.22	66.12
Tucson Electric Power Co	19.88	21.03	16.04	56.80	35.92	38.01	91.09	104.34	64.24
WECC Average	12.76	14.23	8.53	45.66	21.28	35.91	95.64	93.59	61.06
Standard & Poor's Average	15.57	16.96	7.07	46.36	22.65	33.46	83.94	76.55	44.42
N/A = Not applicable or available									

FitchRatings

Rating Action Commentary

Contacts
Philip Smyth, CFA +1-212-908-0531
Sharon Bonelli +1-212-908-0581

Fitch Affirms PacifiCorp's Senior Unsecured at 'A-'; Lowers S-T To 'F2'

Fitch Ratings–NY-October 5, 2004: Fitch Ratings has affirmed PacifiCorp (PPW) as follows:

--Senior secured 'A';
--Senior unsecured 'A-'.

Fitch has also lowered the following ratings for PPW:

--Preferred to 'BBB+' from 'A-';
--Short-term to 'F2' from 'F1'.

The Rating Outlook is Stable for all of PPW's outstanding debt and preferred securities. Fitch has also affirmed and withdrawn PacifiCorp Group Holdings Company's 'BBB+' senior unsecured and 'F2' short-term unsecured ratings.

The PPW rating affirmation and Stable Rating Outlook consider PPW's status as a low-cost provider of electricity, service territory growth, absence of non-utility operations and credit metrics that are in-line with the rating category. The ratings assume support for PPW's $3 billion capital spending program during fiscal 2005-2007 from its direct parent, PacifiCorp Holdings, Inc (PHI) and reasonable outcomes in pending and anticipated rate cases and the multi-state process (MSP).

The primary risk for PPW fixed income investors is that management may be unable to work successfully with regulators to improve its earned returns especially in light of the utility's substantial capital

requirements. In this scenario, unfavorable regulatory outcomes would erode PPW's credit ratios and bring downward pressure to bear on its prospective credit ratings. However, PPW's recent Utah general rate case (GRC) settlement and progress in the MSP suggests an improving regulatory environment. Key indicators of continuing company progress, or lack thereof, should be evident in upcoming regulatory decisions in the utility's Utah general rate case filing and the MSP, both of which will be closely monitored by Fitch Ratings.

Exposure to wholesale energy price volatility in the event of an unplanned generating plant outage of significant duration and unanticipated capital cost overruns versus budget are additional areas of concern for PPW fixed income investors.

On Aug. 4, 2004, PPW filed a $111 million (9.6%) rate increase request with the Utah Public Service Commission, based on an 11.125% return on common equity. A final order in the rate case is expected by April 2005. The GRC filing incorporates the inter-jurisdictional cost allocation methodology that emerged from a collaborative effort dubbed the multi-state process that has been underway since April 2002. PPW has reached settlement agreements regarding inter-jurisdictional cost allocation issues in Utah, Oregon and Wyoming. Efforts to obtain commission ratification of the revised protocol continue in Washington, Idaho and California. Fitch anticipates a ruling in Utah MSP proceedings imminently and orders from Oregon and Wyoming regulators are expected later this month.

PPW is an indirect, wholly-owned subsidiary of Scottish Power plc, whose senior unsecured debt is rated 'BBB+' with a Stable Rating Outlook by Fitch (for more information, see related press release on Scottish Power plc from today, which is available on the Fitch Ratings web site at 'www.fitchratings.com').

###

Moody's Investors Service

redit Opinion: PacifiCorp

PacifiCorp

Portland, Oregon, United States

Ratings

Category	Moody's Rating
Outlook	Negative
Issuer Rating	Baa1
First Mortgage Bonds	A3
Senior Secured	A3
Senior Unsecured MTN	Baa1
Subordinate Shelf	(P)Baa2
Preferred Stock	Baa3
Commercial Paper	P-2
Parent: Scottish Power plc	
Outlook	Negative
Issuer Rating	Baa1
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured MTN	Baa1
Utah Power & Light Co	
Outlook	Negative
eferred Stock	Baa3
PacifiCorp Group Holdings Company	
Outlook	Negative
Bkd Commercial Paper	P-2

Contacts

Analyst	Phone
A.J. Sabatelle/New York	1.212.553.1653
Kevin G. Rose/New York	
Daniel Gates/New York	

Key Indicators

PacifiCorp

	2004	2003	2002
Funds from Operations / Adjusted Debt [1]	20.3%	17.6%	7.0%
Retained Cash Flow / Adjusted Debt [1]	16.3%	17.4%	0.1%
Common Dividends / Net Income Available for Common	67%	5%	99%
Adjusted Funds from Operations + Adjusted Interest / Adjusted Interest [2]	3.88	3.46	2.25
Adjusted Debt / Adjusted Capitalization [1][3]	55.4%	56.2%	60.4%
Net Income Available for Common / Common Equity	7.5%	4.2%	10.9%

[1] Debt is adjusted for operating leases, guaranteed preferred beneficial interests in company's junior sub, and debentures & preferred stock subject to mandatory redemption. [2] Adjusted Interest reflects adjustments for operating leases and preferred stock dividends. [3] Adjusted Capitalization reflects the adjusted debt.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Credit Strengths

PacifiCorp's credit strengths are:

-Low-cost generating assets

-Extensive transmission network through the western US

-Management has improved its relationship with state regulators

-A number of key recent regulatory decisions have been constructive

-Non-regulated affialiated businesses are relatively modest in size and narrowly focused

-Cost structure continues to be lowered

Credit Challenges

PacifiCorp's credit challenges are:

-A degree of regulatory uncertainty still remains in light of numerous rate applications pending

-Six state utility network creates regulatory challenges for management

-Numerous hydro facilities owned by PacifiCorp are involved in relicensing proceedings

-Company's historical financial performance, while improving, has been weak for the rating category

-Future capital expenditures are expected to increase

-Year-to-year financial performance can be influenced by hydro levels in the Pacific Northwest

Rating Rationale

The A3 senior secured rating of PacifiCorp reflects a portfolio of low-cost generating assets, an extensive transmission network, and an affiliation with parent Scottish Power, who has implemented signficant cost reductions and operational efficiencies. The rating also considers the company's ongoing efforts to raise rates in order to improve regulated returns. To date, PacifiCorp's efforts has been reasonably successful, including in Oregon and Utah, where annual revenues from operations in these states represent 70% of total consolidated revenues.

Rating Outlook

PacifiCorp's rating outlook is negative. While the company has been successful in garnering regulatory support throughout its six state service territory, financial results, while improving, remain somewhat weak for the current rating. Continued regulatory support should help to strengthen PacifiCorp's credit fundamentals.

What Could Change the Rating - UP

In light of the negative rating outlook, limited prospects exist for the rating to move upward. Also, future capital expenditures for the utility are anticipated to increase relative to historical levels due to planned construction of certain generating assets. The rating could stabilize as the effects of cost saving initiatives and increased rate relief begin to consistently appear in PacifiCorp's financial results, and the planned capital expenditure program is conservatively financed.

What Could Change the Rating - DOWN

Failure to achieve planned cost savings initiatives, an inability to garner consistent regulatory support across the company's service territory, or an increase in financial leverage caused by the company's planned expenditure program could place further downward pressure on the company's ratings.

/5/04, PacifiCorp announced plans to develop and construct a 534 MW gas-fired plant. The company intends to er into an asset purchase and sale agreement with Summit Vineyard to develop the plant and with Siemens stinghouse to construct the plant. Title will transfer to PacifiCorp at completion. Total plant cost is expected to $330 million.

)3/04, the Utah Public Service Commission (UPSC) granted PacifiCorp a Certificate of Convenience and cessity to begin construction of Currant Creek, a new 525 MWgas-fired plant. The cost of the plant is expected ɔe $350 million and is designed to be on-line in two phases: 280 MW in 2005 and 245 MW in 2006.

)1/04, the UPSC granted PacifiCorp $65 million of additional annual revenues based upon an ROE of 10.7% owing an all-parties settlement to the general rate case. The new rates became effective 04/01/04. Also, the 'SC approved a tariff rider in customer bills effective 04/04 enabling the utility to collect $28 million annually to ;over demand side managment costs.

03/04, the Wyoming PSC issued an order settling PacifiCorp's general rate case which was filed in May 2003. ıder this order, base rates in Wyoming increased annually by $22.9 million, based upon an 10.75% authorized :e of return.

12/03, PacifiCorp filed with the Washington Utilities and Transportation for a general rate increase of $26.7 llion annually. Hearings are expected to begin in August 2004, with a final order in 11/04.