Exhibit No.___(BNW-3)
Docket UE-13____
Witness: Bruce N. Williams

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, vs. PACIFICORP dba Pacific Power & Light Company Respondent.	)	Docket UE-13____

PACIFICORP

EXHIBIT OF BRUCE N. WILLIAMS

Standard & Poor's Ratings Direct
April 26, 2012

January 2013

STANDARD &POOR'S

Global Credit Portal
RatingsDirect®

April 26, 2012

Summary:
PacifiCorp

Primary Credit Analyst:
Gerrit 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

Credit Rating: A-/Stable/A-2

Rationale

Standard & Poor's Ratings Services' 'A-' corporate credit rating on PacifiCorp reflects an "excellent" business risk profile and a "significant" financial risk profile under our criteria. PacifiCorp's excellent business profile benefits from the geographical, market, and regulatory diversity provided by its six-state service territory. The company's significant financial profile is supported by modest use of leverage to finance a large capital program and parent MidAmerican Energy Holdings Co.'s (MEHC; BBB+/Stable) willingness to deploy equity into PacifiCorp as needed to support the company's capital structure as it expands its rate base.

PacifiCorp is wholly owned by MEHC and has put in ring-fencing provisions that allow us to rate PacifiCorp above the 'BBB+' corporate credit rating on MEHC if its stand-alone credit metrics and business profile risks warrant. In turn, MEHC is privately held and majority owned by Berkshire Hathaway (AA+/Negative/A-1+). Our criteria provide that our corporate credit rating on PacifiCorp can be no more than three notches above the MEHC consolidated credit rating. The parent and subsidiary are currently rated within one notch of one another.

PacifiCorp provides power to retail customers under the name Rocky Mountain Power in Utah, Wyoming, and Idaho, and as Pacific Power in Oregon, Washington, and California. Utah and Oregon are the most important markets for the company, providing around 43% and 24% of annual retail sales, respectively, as of year-end 2011.

Since being acquired in 2006 by MEHC, the electric utility has made modest strides in improving key business and regulatory aspects of the utility that serves more than 1.7 million retail electric customers. Despite 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. About 90% of PacifiCorp's retail electric sales are now covered by some type of fuel adjusters. (None exist in Washington State.)

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 the company, seeking to deploy capital in the electric utility in exchange for an opportunity to earn its authorized return on equity (ROE), which varies by state but is in the area of 10%.

We expect PacifiCorp to spend $1.5 billion this year, and it is budgeting $1.6 billion for 2013 and $1.7 billion in 2014, according to its 10-K filing. This level of spending will continue to require regular retail electric rate increases in all of PacifiCorp's markets. This raises the issue of whether rate case fatigue will set in, creating regulator or ratepayer resistance to further increases. For 2011, retail electric sales were up 2.4%, reflecting increased customer usage from better economic conditions in the company's eastern service territory, which includes Utah, and unusual weather impacts in its western service territory.

The cash credit metrics we expect the company to achieve after this year are just adequate, in our view, to support the ratings, providing little cushion for the company to deviate. For 2012 we project adjusted FFO to total debt in the 20% area, FFO interest coverage of 4.6x, and debt to total capitalization of around 51%. These expectations reflect our view that the company's earned ROE will be in line with past performance and that electric sales will grow 1.5% on average.

Liquidity

On a stand-alone basis (i.e., unenhanced by the existing $2 billion contingent equity agreement available to MEHC to support any of its regulated subsidiaries, including PacifiCorp) we view PacifiCorp's liquidity as adequate under our corporate liquidity methodology. This methodology categorizes liquidity in five standard descriptors (exceptional, strong, adequate, less than adequate, and weak). Projected sources of liquidity, which consist of operating cash flow and available bank lines, exceed projected uses, including capital expenditures, debt maturities, and common dividends, by more than 1.2x. Under our criteria, we exclude as sources of liquidity any facilities expiring within one year of the liquidity assessment date.

The utility maintains unsecured credit facilities that totaled $1.355 billion as of Dec. 31, 2011. Of this total, $688 million was drawn upon and $304 million of liquidity is reserved for letters of credit to support tax-exempt bond obligations, reducing available borrowings to $363 million. There are no rating triggers on the credit lines. One facility, for $635 million, expires in October 2012. The other credit facility is sized at $720 million and will decline to $630 million in July 2012 and expire in July 2013. Regulatory restrictions limit PacifiCorp's short-term debt to $1.5 billion.

PacifiCorp's liquidity is indirectly supported by Berkshire Hathaway, which has in place through February 2014 a $2 billion equity commitment agreement between itself and MEHC under which MEHC can unilaterally call upon Berkshire Hathaway to support either its parent debt repayment or the capital needs of its regulated subsidiaries, including MidAmerican Energy Co. Nevertheless, we assess PacifiCorp's liquidity on a stand-alone basis because the utility has no authority to cause MEHC to make an equity contribution from Berkshire Hathaway through an MEHC board request. Although MEHC would typically have strong incentives to support the utility by tapping the Berkshire Hathaway contingent equity, we expect MEHC would do so only if doing so were in the parent's best economic interests. Because Berkshire has up to 180 days to fund an equity request, we also do not count on the agreement to provide PacifiCorp with immediate cash. For these reasons, we consider the equity agreement a qualitative enhancement to liquidity but continue to calculate the utility's liquidity metrics on a stand-alone basis.

Recovery analysis

We rate PacifiCorp's first mortgage bonds (FMB) 'A', a notch higher than the 'A-' issuer credit rating, and have assigned them a recovery rating of '1+'. We assign recovery ratings to FMBs issued by investment-grade U.S. utilities, and this can result in issue ratings that are higher than the corporate credit rating (CCR) on a utility depending on the CCR category and the extent of the collateral coverage. We base our investment-grade FMB recovery methodology on the ample historical record of nearly 100% recovery for secured-bond holders in utility bankruptcies and on our view that the factors that supported those recoveries (the 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. Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, and the regulatory limitations on bond issuance. FMB ratings can exceed a CCR on a utility by as many as one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories.

PacifiCorp's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral, in combination with regulatory covenants that restrict borrowing that were entered into as a condition of MEHC's acquisition of PacifiCorp in 2006, provides coverage of more than 1.5x, supporting a recovery rating of '1+' and an issue rating one notch above the CCR.

Outlook

The stable rating outlook on PacifiCorp reflects our base-case assumption of adjusted FFO to total debt in the 20% area, FFO interest coverage of 4.6x, and debt to total capitalization of around 51%. Performance below this level could result in a rating downgrade if credit metrics fall below 18% or if adjusted debt to total capitalization exceeds 52% on a sustained basis. Because we view our forecast expectations as just sufficient to support the rating on the utility, we do not expect a ratings upgrade in the near term, which would require FFO to total debt of 22% or higher and leverage under 50%. The company is unlikely to achieve these metrics given its current authorized capital structure and a heavy capital program.

Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Analytical Methodology, April 15, 2008
- Ratios And Adjustments, April 15, 2008
- Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds, Sept. 6, 2007