BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

	)	
In the Matter of the Joint Application of	)	
	)	
MIDAMERICAN ENERGY HOLDINGS COMPANY AND PACIFICORP, d/b/a PACIFIC POWER & LIGHT COMPANY	)	**Docket No. UE-051090**
	)	
For an Order Authorizing Proposed Transaction.	)	
	)	

EXHIBIT NO.___(MPG-3)

EXCERPT OF STANDARD & POOR'S AND MOODY'S

REPORTS ON MIDAMERICAN

November 18, 2005

STANDARD &POOR'S	RATINGSDIRECT

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esearch:
MidAmerican Energy Holdings Co.

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Corporate Credit Rating	BBB-/Watch Pos/--
Outstanding Rating(s)	
MidAmerican Energy Holdings Co.	
Sr unsecd debt	
Local currency	BBB-/Watch Pos
Sr secd debt	
Local currency	BBB-/Watch Pos
Pfd stk	
Local currency	BB/Watch Pos
CE Electric U.K. Funding Co.	
Corporate Credit Rating	BBB-/Stable/A-3
Sr unsecd debt	
Foreign currency	BBB-
Kern River Gas Transmission Co.	
Corporate Credit Rating	A-/Negative/--
Sr secd debt	
Local currency	A-
lAmerican Energy Co.	
Corporate Credit Rating	A-/Stable/A-1
Sr unsecd debt	
Local currency	A-
Sr secd debt	
Local currency	A
CP	
Local currency	A-1
Pfd stk	
Local currency	BBB+
Northern Natural Gas Co.	
Corporate Credit Rating	A-/Watch Pos/--
Sr unsecd debt	
Local currency	A-/Watch Pos
MidAmerican Funding LLC	
Sr unsecd debt	
Local currency	BBB+
Sr secd debt	
Local currency	BBB+
Northern Electric PLC	
Corporate Credit Rating	BBB-/Stable/A-3
Yorkshire Electricity Group PLC	
Corporate Credit Rating	BBB-/Stable/--
Yorkshire Power Group Ltd.	
Corporate Credit Rating	BBB-/Stable/A-3
ınsecd debt	BBB-
Northern Electric Distribution Ltd.	
Corporate Credit Rating	BBB+/Stable/--
Sr unsecd debt	

Local currency	BBB+
Yorkshire Electricity Distribution PLC	
Corporate Credit Rating	BBB+/Stable/A-2
Sr unsecd debt	
' ocal currency	BBB+
unsecd debt	
Foreign currency	NR

Corporate Credit Rating History	
June 3, 1999	NR
July 27, 1999	BBB-

Rationale

The 'BBB-' corporate credit rating on MidAmerican Energy Holdings Co. (MEHC) is on CreditWatch with positive implications. The rating on MEHC was placed on CreditWatch on May 25, 2005, following the company's announcement that is purchasing PacifiCorp from Scottish Power PLC for $9.4 billion, including $5.1 billion in cash and the assumption of $4.3 billion in net debt and preferred stock. The positive CreditWatch listing for MEHC reflects Standard & Poor's Ratings Services expectation that the acquisition will be financed primarily with an equity infusion from MEHC's ultimate parent, Berkshire Hathaway Inc. (AAA/Stable/A-1+), a practice consistent with past acquisitions.

Des Moines, Iowa-based MEHC has about $3 billion of debt and $1.8 billion of trust-preferred securities outstanding at the holding company level.

Because the outlook on MEHC was positive before the acquisition announcement, an upgrade is not entirely contingent on the transaction being completed. Likewise, if the acquisition is completed, any upgrade will depend on the final financing structure of the acquisition.

Standard & Poor's ratings on MEHC reflect the company's ability to meet its financial obligations from dividend distributions from its diverse portfolio of energy assets. The company's creditworthiness is ultimately derived from the total quality of the residual distributions from these subsidiaries. Standard & Poor's has made this analytical judgment based on MEHC's extensive use of nonrecourse project financing, limited interdependency among the individual business units, and the perception that MEHC would abandon equity investments when the economics of the stand-alone business unit so dictate.

MEHC's business profile is a '5' (satisfactory). Utility business profiles are categorized from '1' (excellent) to '10' (vulnerable). The business risk score reflects the wide mix of businesses that MEHC operates, including rather low-risk pipeline and transmission and distribution, the medium-risk integrated utility, and the higher-risk unregulated electric generation in the U.S. and the Philippines and its cyclical real estate services. If the acquisition of PacifiCorp is consummated, MEHC's business profile score will likely remain '5'. Standard & Poor's considers MEHC a diversified energy company, comparable with the project developers included in that group. Compared with other developers, MEHC's business risk is low, due to its limited exposure to the electricity trading and marketing function and other unregulated ventures in comparison with its exposure to the purely regulated delivery businesses that lack commodity risk.

There is potential volatility in distributions to the parent due to subsidiary-level leverage and structural features in nonrecourse debt that could result in cash being trapped at the subsidiary level. However, the financial resources of Berkshire Hathaway provide some flexibility, which is incorporated in the rating.

Consolidated credit metrics have shown improvement in recent years due to the acquisition of two large pipeline assets. Funds from operations (FFO) interest coverage has improved to 3.1x for 2004 from 2.3x for 2002 (with equity treatment for trust-preferred securities), while over the same time period, FFO to debt improved to about 12.9% from about 9.3%. For the 12 months ended June 30, 2005, these numbers slipped a bit to 2.7x and 12.4%, but Standard & Poor's expects year-end 2005 credit metrics to be consistent with 2004.

Of the trust-preferred securities, MidAmerican Capital Trust I, II, and III account for $1.48 billion.

Berkshire Hathaway and its affiliates, which are prohibited by the indenture's terms from transferring the securities to a nonaffiliated entity, hold these. The other trust-preferred securities do not contain any transfer prohibitions. Standard & Poor's examines credit ratios assuming that all the trust-preferred securities are debt and also assuming that all are equity. In determining the rating, the CalEnergy Trust securities are given typical equity treatment of about 40%, while the MidAmerican Capital Trusts that re held by Berkshire Hathaway are given 100% equity treatment. This is based on Standard & Poor's view that because these trusts represent Berkshire Hathaway's equity investment in MEHC, and are nontransferable, management would treat them in an equity-like manner. Indeed, MEHC's and Berkshire Hathaway's managements have told Standard & Poor's that if the need arises, these securities would be restructured before any default.

Standard & Poor's continues to expect stable performances from MEHC's regulated U.S. assets. The pipelines, Kern River Gas Transmission Co. (A-/Negative/--) and Northern Natural Gas Co. (A-/Watch Pos/--), and electric utility MidAmerican Energy Co. (A-/Stable/A-1) continue to support holding-company debt and offset lower returns from the company's U.K. investments in CE Electric U.K. Funding Co. (BBB-/Stable/A-3). Debt ratings on the U.K. investments currently remain investment grade, but MEHC forecasts little or no distributions from them for the foreseeable future, as excess cash will be used to fund debt maturities. Separately, CE Casecnan Water and Energy Co. Inc. (B+/Positive/--) and the other Philippine geothermal power plants continue to perform well after legal settlements in 2003, which reduced risk related to industry restructuring and boosted liquidity at the projects, freeing up cash for distributions. MEHC expects to use cash generated in the Philippines together with cash generated in the U.K. to fund maturities in the U.K. PacifiCorp will become a large dividend producer over time, if the acquisition is consummated, but dividends will be suppressed in the early years due to high regulatory capital needs.

Liquidity

MEHC has adequate liquidity and access to capital to meet ongoing financial obligations. MEHC maintains revolving, unsecured credit facilities of $100 million, which it is in the process of expanding to $400 million, to support liquidity needs and LOCs. As of Dec. 31, 2004, there were no borrowings, but $70 million of capacity was taken with LOCs. Total unrestricted cash at the parent and subsidiaries was $828.2 million as of June 30, 2005, which is sufficient, given MEHC's stable distribution profile and limited equity commitments.

In acquiring PacifiCorp, MEHC will purchase all of PacifiCorp's outstanding shares for about $5.1 billion in cash. PacifiCorp's long-term debt and preferred stock will remain outstanding. MEHC expects to fund the acquisition either wholly by Berkshire Hathaway or with proceeds from an investment by Berkshire Hathaway of about $3.4 billion in zero-coupon nonvoting convertible preferred stock or common stock and the issuance by MEHC to third parties of about $1.7 billion of long-term senior notes, preferred stock, or other securities with equity characteristics.

MEHC will need to maintain its access to capital markets, as it has some large maturities to fund in the coming years. Maturities at the parent over the next five years include trust-preferred redemptions of $189 million in 2005 and $234 million each year through 2009. MEHC will also have debt maturities of $260 million in September 2005, zero in 2006, $550 million in 2007, $1 billion in 2008, and zero in 2009. MEHC has adequate cash on hand to fund these maturities. MEHC has no ratings triggers embedded in its financing documents.

Portfolio Quality

Lenders benefit from a portfolio diversified among energy investments in regulated and unregulated businesses (see below). Diversification is both geographic and technological with investments in the U.S., the U.K., and Philippines. However, U.S. investments in natural gas pipelines and electricity and gas distribution dominate the portfolio cash flows. The PacifiCorp acquisition would add to that dominance. MEHC has set up each investment as a special-purpose entity, either directly or indirectly, with the intent of making each one self sufficient and bankruptcy remote from the parent, and PacifiCorp would be no exception.

This Analysis provides a discussion of the factors underpinning the credit rating/s and should be read in conjunction with our Credit Opinion. The most recent ratings, opinion, and other research specific to this issuer are provided on Moodys.com. Click here to link.

Analysis

UNITED STATES
Americas

June 2005

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Midamerican Energy Holding Company

Credit Strengths

- Diversified geographic and business operations provide a varied cash flow stream.
- Large bulk of debt levels consists of non-recourse debt and also includes $1.5 billion of trust preferred securities issued to Berkshire Hathaway, which are subordinate to senior debt, have deferral provisions and are non-transferable by Berkshire.
- Ownership and business organizational structure provides degree of financial and operational flexibility.
- US utility operates in a constructive regulatory environment in Iowa and Illinois.

Credit Challenges

- High consolidated leverage as a result of acquisition activity.
- Large capital expenditure requirements at MEC in the next several years for generation construction.

Credit Strengths

DIVERSIFIED GEOGRAPHIC AND BUSINESS OPERATIONS PROVIDE A VARIED CASH FLOW STREAM

The Baa3 senior unsecured long term debt rating of MEHC is supported by the quality of cash flows from its regulated and non-regulated platforms. Regulated subsidiaries, including MEC, the UK distribution companies (Northern Electric and Yorkshire Electricity) and the pipeline businesses Kern River Gas Transmission Company (KRGT) and Northern Natural Gas (NNG), provide for lower business risk and more stable cash flow. In addition, MEHC owns CE Generation LLC, which holds a portfolio of US geothermal and gas generation projects, and also owns geothermal projects and a hydroelectric facility in the Philippines.

On May 26, 2005, Moody's affirmed the ratings of MEHC and the rating outlook remained positive. This action followed the announcement that MEHC plans to acquire PacifiCorp (PacifiCorp, Baa1 senior unsecured) from Scottish Power plc (SP, Baa1 senior unsecured) for $9.4 billion, including $5.1 billion in cash and the assumption of about $4.3 billion of net debt of PacifiCorp.

The ratings affirmation considers Moody's expectation that a significant portion of the $5.1 billion in cash will be funded through a substantial equity contribution to MEHC from its major shareholder Berkshire Hathaway Inc. While the precise amount and terms of the equity contribution from Berkshire Hathaway are not known at this stage, the rating affirmation incorporates Moody's expectation that it will be sufficient to at least support the current ratings.

The positive rating outlook was maintained because it reflects Moody's view that the acquisition of PacifiCorp will have long-term positive benefits for MEHC. The transaction has the potential for increased diversification and stability of MEHC's sources of earnings and cash flow from regulated utility operations. The transaction is also expected to result in an organization with a more diversified customer base, service territory and generation portfolio. The positive outlook also considers MEHC's successful track record in operating other regulated utility businesses.

LARGE BULK OF DEBT LEVELS CONSISTS OF NON-RECOURSE DEBT AND ALSO INCLUDES $1.5 BILLION OF TRUST PREFERRED SECURITIES ISSUED TO BERKSHIRE HATHAWAY, WHICH ARE SUBORDINATE TO SENIOR DEBT, HAVE DEFERRAL PROVISIONS AND ARE NON-TRANSFERABLE BY BERKSHIRE

OWNERSHIP AND BUSINESS ORGANIZATIONAL STRUCTURE PROVIDES DEGREE OF FINANCIAL AND OPERATIONAL FLEXIBILITY

Moody's views the increased investment by majority owner Berkshire Hathaway to be a favorable indication of the company's continuing commitment to MEHC and the energy sector. It is expected that additional equity down streamed to MEHC will represent a substantial majority of the cash requirements for the acquisition of PacifiCorp. In addition, the terms of the existing zero coupon convertible preferred stock, which was designed to prevent Berkshire Hathaway from becoming subject to the Public Utility Holding Company Act (PUHCA), provides for its conversion to common equity in the event that PUCHA were to be repealed by Congressional legislation. We also view the existing substantial investment by the majority owner in the form of parent company subordinated debt to be predominately equity-like given the unique characteristics of this instrument. The interest on the instrument is deferrable at MEHC's option for up to five years, and the ownership of the subordinated debt cannot be transferred.

US UTILITY OPERATES IN A CONSTRUCTIVE REGULATORY ENVIRONMENT IN IOWA AND ILLINOIS

Credit Challenges

HIGH CONSOLIDATED LEVERAGE AS A RESULT OF ACQUISITION ACTIVITY

The Baa3 senior unsecured rating also considers the large parent debt burden resulting from debt-financed acquisitions.

LARGE CAPITAL EXPENDITURES AT MEC IN THE NEXT SEVERAL YEARS FOR GENERATION CONSTRUCTION

Moody's also considers the significant cash funding requirements over the next several years related to the development and construction of three generation facilities, including the 517 mw natural gas fired combined cycle unit, the 790 mw coal fired plant in Council Bluffs, and a 360 mw wind power facility. MEC received approval from the Iowa Utilities Board (IUB) under a settlement agreement for a rate freeze from Dec. 31, 2000 through 2005, as well as the reinstatement of the revenue sharing provisions of the 1997 pricing plan. In conjunction with the construction of the wind project, MEC proposed on 5/27/03, a rate freeze extension through December 31, 2010, with a portion of the revenues in the last four years to be applied towards an offset to some of the capital costs associated with the construction of the three proposed generation facilities in Iowa. The IUB approved MEC's filing in October 2003. A third settlement agreement was approved by the IUB on January 31, 2005, in conjunction with a further expansion of the wind power project. This settlement extends the rate freeze through December 31, 2011. Additionally, if MEC's Iowa retail electric returns on equity fall below 10% in an any consecutive 12 month period after January 1, 2006, MEC may seek to file for a general rate increase, but only after a 30 day good faith negotiation period with all related parties.

Company Description

MidAmerican Energy Holdings Company is based in Des Moines, Iowa, and is a privately-owned global provider of energy services. MidAmerican provides electric and natural gas services to 5 million customers worldwide.

Related Research

Industry Outlook:
U.S. Electric Utilities, January 2005 (91075)
Rating Methodology:
Global Regulated Electric Utilities, March 2005 (91730)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Financial Statement Ratios

Financial Statement Ratios: MidAmerican Energy Company

To access any Financial Statement Ratios or to download them in .csv format, click on the link above.