PACIFICORP
A MIDAMERICAN ENERGY HOLDINGS COMPANY

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

January 5, 2007

Via Electronic Filing
and Overnight Delivery

Washington Utilities and Transportation Commission Staff
1400 S. Evergreen Park Dr. S.W.
P.O. Box 40128
Olympia, WA 98504-0128
Attn: Ken Elgin

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STATE OF WASH.
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and

Office of Attorney General
900 Fourth Avenue, Suite 2000
Seattle, WA 98164-1012
Attn: Steve Johnson

Re: Washington Docket No. UE-051090 Compliance Filing

PacifiCorp hereby submits an original and two (2) copies of the attachments in compliance with the Commission's Order in this case issued on February 22, 2006 and amended on March 10, 2006. The Order approved the Stipulation supporting MEHC's acquisition of PacifiCorp from ScottishPower.

Commitment Wa21 of the Stipulation provides that, PacifiCorp will provide to Staff and Public Counsel, 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 Wa21 of the Stipulation, please find the attached reports related to PacifiCorp.

Very truly yours,

Bruce Williams

Bruce Williams
Treasurer

Enclosures

Moody's Investors Service

Global Credit Research
Liquidity Risk Assessment
22 DEC 2006

Liquidity Risk Assessment: PacifiCorp

PacifiCorp

Portland, Oregon, United States

Broad Industry:	Public Utility
Specific Industry:	Utility/Diversified Holding Company
Short Term Rating:	P-2

Contacts

Analyst	**Phone**
A.J. Sabatelle/New York	1.212.553.1653
Kevin G. Rose/New York	
William L. Hess/New York	

Opinion

PacifiCorp's Prime-2 short-term rating for commercial paper reflects the predictable cash flow of this well-positioned vertically integrated utility. Operating cash flow, which has strengthened over the past few years due to the receipt of favorable regulatory decisions relating to recovery of purchased power costs, is being used to finance a growing capital expenditure program intended to enhance reliability and supply requirements for the utility's service territory.

During fiscal year 2006 (March 31 Fiscal Year End), cash from operations of about $895 million covered nearly 73% of PacifiCorp's outlays, including $1.05 billion of capital expenditures incurred at the utility and $177 million of dividends. On March 21, 2006, MidAmerican Energy Holdings Company (MEHC) completed the purchase of PacifiCorp from ScottishPower. For the six months ending September 30, 2006, cash from operations totaled $355 million, which covered 45% of the cash necessary to fund the $781 million in capital expenditures incurred during this period. PacifiCorp met the remaining funding requirements through the incurrence of additional long and short-term debt plus $145 million in equity provided by PacifiCorp's new parent, MEHC. In August 2006, PacifiCorp issued $350 million of first mortgage bonds.

PacifiCorp's short-term borrowings and other financing arrangements are supported by an $800 million revolving credit agreement, which expires in July 2011. PacifiCorp relies upon its revolving credit agreement to backstop its commercial paper program, daily liquidity requirements, and for unenhanced pollution control revenue bonds. PacifiCorp had outstanding commercial paper and notes payable of $80 million as of September 30, 2006. The facility does not contain rating triggers that would cause acceleration or make the facilities unavailable and does not require MAC representation for borrowings. However, the facility does contain a rating sensitive pricing grid and a financial covenant that limits debt to 65% of total capitalization. As of September 30, 2006, PacifiCorp was in compliance with limits. Liquidity is further enhanced by the company's cash and cash equivalents totaling $68 million as of September 30, 2006

As of September 30, 2006, PacifiCorp also had $517.8 million of standby letters of credit and standby bond purchase agreements to provide credit enhancement and liquidity support for pollution-control revenue bonds. These facilities expire periodically through the period ending February 2011.

For fiscal year ending March 31, 2007, Pacificorp has $216 million in maturing long-term debt and $120 million for fiscal year ending March 31, 2008

RESEARCH

Summary: PacifiCorp

Publication date: 21-Dec-2006
Primary Credit Analyst: Swami Venkataraman, CFA, San Francisco (1) 415-371-5071; swami_venkataraman@standardandpoors.com

Credit Rating: A-/Stable/A-1

Rationale

The 'A-' corporate credit rating (CCR) on PacifiCorp reflects the consolidated credit profile of parent MidAmerican Energy Holdings Company (MEHC; A-/Stable/--). The rating incorporates MEHC's strong business risk position, fairly aggressive financial profile, and both explicit and implicit support from Berkshire Hathaway. Explicit support from Berkshire Hathaway is in the form of a $3.5 billion equity commitment agreement, which in our view would be called on, if necessary, to support the rating on MEHC. Neither MEHC nor PacifiCorp display 'A-' credit metrics on a standalone basis. MEHC is expected to fund a significant portion of PacifiCorp's large upcoming capital program through equity. MEHC has contributed $215 million in equity to date since acquiring PacifiCorp in March 2006.

MEHC's business profile score is 'strong' ('4' on a 10-point scale, where '1' represents the least risk). This score incorporates the significant diversity of MEHC's businesses, limited exposure to unregulated ventures (less than 10% of operating income in future) and our expectation that MEHC's future acquisitions will be in the regulated utility segment and not in unregulated or commodity-exposed businesses. MEHC's strategy has been to acquire regulated utilities that can benefit from its established record of enhancing operational and financial performance through a mixture of improved regulatory relationships, cost reductions, and the funding of investment with the use of equity sufficient to maintain roughly a 50-50 capital structure.

PacifiCorp serves 1.7 million customers in six western states and had about $4.3 billion in outstanding debt and preferred stock as of Sept. 30, 2006. On March 21, 2006, MEHC completed its purchase of PacifiCorp from Scottish Power plc.

MEHC owns PacifiCorp through PPW Holdings LLC, a special-purpose entity that ring-fences PacifiCorp from MEHC as required by the Oregon Public Utilities Commission (OPUC). The ring-fencing includes structural protections, covenants, a pledge of stock, and an independent director. PacifiCorp also agreed to refrain from making dividends to MEHC unless it maintains a common equity ratio of 48.25% through 2008, decreasing annually to 44% by 2012. These factors serve to protect PPW Holdings LLC and PacifiCorp from an MEHC bankruptcy. Due to the ring-fencing, PacifiCorp's CCR could potentially be as high as three notches above MEHC's rating, provided its standalone credit quality supported such an elevation. Currently, the utility's stand-alone credit metrics are in the 'BBB' category and do not warrant a rating above MEHC's.

PacifiCorp's business profile is a satisfactory '5', reflecting a predominantly coal-fired generation base that produces competitive, low cost power; average markets, which by virtue of their disparate locations provide a degree of economic and geographical diversity; and the potential for improved operating efficiencies through MEHC's ownership. Challenges that are reflected in PacifiCorp's business risk include its exposure to wholesale purchases and hydro variability (about 70% of PacifiCorp's 2005 energy requirements came from owned coal, 21% from purchases, 5% from hydro, and 4% from natural gas); limited fuel and purchased power adjustment mechanisms; and the sometimes-difficult regulatory environments that the company operates within.

The company has been consistently unable to earn its authorized return on equity, which ranges from 10%-10.5%, depending on the state. Thus far in 2006, PacifiCorp has settled rate cases, originally filed under the ownership of Scottish Power, in all its jurisdictions but for Washington. Although settlements provide PacifiCorp with revenues lower than requested, sometimes substantially so as in Oregon, and generally prevent the company from going back for rate increases for at least another year, these are largely in line with assumptions in our forecasts. MEHC, through PacifiCorp and MidAmerican Energy Co., has ten state regulators, which presents logistical and performance challenges that are unique.

Finally, Senate Bill 408 in Oregon will continue to remain a moderate risk for PacifiCorp. Although the tax apportionment rule based on property, sales and payroll appears fairly neutral to PacifiCorp, there is potential that, in a bad year, PacifiCorp's standalone tax bill would be lower than what it collects from customers and that may require a refund under the second of the three rules of SB408. The third rule, namely the prospect that Berkshire Hathaway as a whole would pay less money in taxes than PacifiCorp alone collects from its ratepayers, is extremely unlikely to occur.

We expect that MEHC will contribute substantial equity to fund PacifiCorp's $6.4 billion capital program over the next five years (MEHC has contributed about $215 million since the acquisition was completed in March 2006), and that a combination of cost reductions and improved regulatory relationships will eventually enable PacifiCorp improve its financial performance to achieve returns closer to its authorized ROE, something PacifiCorp has not been able to in recent years under the ownership of Scottish Power PLC, resulting in an overall improvement in PacifiCorp's credit metrics.

Under the consolidated rating methodology, we focus primarily on MEHC's consolidated financial profile. While MEHC's credit metrics are improving, ratios are clearly weak for the 'A-' rating, which benefits from Berkshire Hathaway's support. For the 12 months ended Sept. 30, 2006, Funds from operations coverage (FFO) of interest and debt stood at 3.3x and 10.9%, respectively. Debt to total capital had shown a substantial improvement from 77.8% as of Dec. 31, 2005 to 69.8% as of Sept. 30, 2006, mainly reflecting the equity infusion for the acquisition of PacifiCorp. Credit metrics should continue to improve over the next few years as, as MEHC deleverages PacifiCorp through substantial equity infusion and reinvestment of operating cash flow.

Short-term credit factors

PacifiCorp's 'A-1' short-term rating benefits from the explicit and implicit support that MEHC receives from Berkshire Hathaway. Berkshire Hathaway's extremely strong liquidity position is assumed to be available to PacifiCorp via MEHC in the unlikely event that PacifiCorp could not repay its CP obligations. Explicit support exists in the form of a $3.5 billion equity commitment agreement between Berkshire Hathaway and MEHC that could be called upon to support the liquidity requirements of MEHC's regulated subsidiaries, including PacifiCorp.

PacifiCorp had cash of $67.8 million as of Sept. 30, 2006 and an $800 million revolving credit agreement that expires in July 2011. There were no borrowings under the revolver as of Sept. 30, 2006 but it supported $79.7 million of commercial paper and various pollution control revenue bonds. Current maturities of long-term debt as of Sept. 30, 2006 are manageable at $325.5 million. PacifiCorp's large capital expenditure program will require substantial external funding, including equity contributions from and zero dividends to MEHC to maintain financial ratios.

Outlook

The stable outlook reflects our expectation that MEHC will deleverage PacifiCorp through equity infusion and reinvestment of cash flow into its extensive capital expenditure program and work to improve regulatory relationships and operating efficiency at PacifiCorp. It is also assumed that Berkshire Hathaway will provide credit support and future investment capital as needed to PacifiCorp. PacifiCorp's rating could fall to a level commensurate with its standalone credit quality if MEHC's rating is lowered. PacifiCorp's rating has limited near-term upside, as its credit metrics on a stand-alone basis fall well short of the 'A' category.

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