PACIFICORP
A MIDAMERICAN ENERGY HOLDINGS COMPANY

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

November 28, 2007

VIA ELECTRONIC FILING
& 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

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 the acquisition of PacifiCorp by MidAmerican Energy Holdings Company.

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
Vice President and Treasurer

Enclosures

BW:lb

November 8, 2007

PacifiCorp

Primary Credit Analyst:
Anne Selting, San Francisco (1) 415-371-5009; anne_selting@standardandpoors.com

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PacifiCorp

Major Rating Factors

Corporate Credit Rating

A-/Stable/A-1

Strengths:

- Market and regulatory diversity afforded by PacifiCorp's electric utility business, which serves portions of six western U.S. states;
- Low retail electric rates, which compare favorably to other electric suppliers operating in the states PacifiCorp serves; this competitive advantage should be maintained, despite the company's need for rate relief in the coming years to support a large capital program;
- A stable regulatory environment, as evidenced by the 2006 settlement of rate cases in all six states served by the company, which provided PacifiCorp with incremental cash flow, albeit at lower levels than its original requests;
- The 2006 approval of a power cost adjuster in Wyoming, combined with the use of a forward mechanism to set base fuel and power costs in Oregon, has improved the company's exposure to fluctuations in natural gas and purchased power costs.

Weaknesses:

- An expected $16 billion in capital projects are planned during the next ten years; in 2007, total capital expenditures are expected to be $1.8 billion;
- A heavy reliance on purchased power, due to legacy power sale agreements; PacifiCorp purchased about 22% of the company's 2006 power supply, and about 21% of its total energy sales were to wholesale customers;
- Stringent renewable portfolio standards in Washington will require 25% of retail electric sales to be supplied with renewable sources by 2025; incremental targets begin in 2011, PacifiCorp is investing in wind generation.

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, aggressive financial profile, and both explicit and implicit support from Berkshire Hathaway ('AAA/Stable/A-1+'), which is the majority owner of MEHC. 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 MEHC's rating or that of its regulated subsidiaries, including PacifiCorp.

PacifiCorp serves 1.7 million customers in portions of six western states: Utah, Oregon, Wyoming, Washington, Idaho, and California. PacifiCorp operates as Pacific Power in Oregon, Washington and California; and as Rocky Mountain Power in Utah, Wyoming and Idaho. The company's two largest markets, Utah and Oregon, comprise about 70% of the company's retail electric operating revenues. As of June 30, 2007, the utility's stand-alone debt, including current maturities and preferred stock, was approximately $4.6 billion. Consolidated debt at MEHC was more than $19.2 billion as of the same date.

MEHC completed its purchase of PacifiCorp from Scottish Power Plc. on March 21, 2006. MEHC owns PacifiCorp through PPW Holdings LLC, a special-purpose, non-rated entity -- with no debt outstanding -- that ring-fences PacifiCorp from MEHC as required by state regulators. The ring-fencing includes: structural protections, covenants, a pledge of stock, a non-consolidation opinion, and an independent director. PacifiCorp is limited in 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 a 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. However, on a standalone basis, PacifiCorp currently has credit metrics that are in the 'BBB' category.

Both cash coverage of debt and leverage have improved modestly at the utility level since the acquisition. As of June 30, 2007, PacifiCorp's adjusted funds from operation (FFO) to total debt was 17.7%, and FFO interest coverage was 3.7x. Adjusted debt to total capitalization stood at about 54%. (PacifiCorp's fiscal year was changed to year-ending March 31 to Dec. 31 after the acquisition was completed.) Cash flow improvement can be attributed to the increased rate relief PacifiCorp received from the 2006 settlement of rate cases in all six states it serves. Leverage has benefited in 2007 from MEHC's equity infusions into PacifiCorp, which through June 30, 2007, were $150 million, building on 2006 equity contributions that have helped offset the effects of PacifiCorp's borrowing for its large capital program.

The financial analysis also focuses on MEHC's consolidated credit metrics that, although improving, are clearly weak for the 'A-' rating, but benefit from both implicit and explicit support provided by its parent, Berkshire Hathaway. For the 12 months ended June 30, 2007, MEHC's FFO coverage of interest and debt stood at 2.8x and 12.3%, respectively. Consolidated MEHC debt to total capitalization has shown an improvement to 65.7% at the 12 months ended June 30, 2007, from 68.6% as of Dec. 31, 2005, which principally reflects the $3.4 billion in equity infused into MEHC to fund the $5.1 billion acquisition of PacifiCorp.

MEHC's business profile score is strong at '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), 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. MEHC's challenges during the next few years are largely tied to achieving the goals it established for PacifiCorp, as the utility is expected to comprise about 40% of consolidated operating cash flows during the next several years.

PacifiCorp's business profile is a satisfactory '5', reflecting a predominantly coal-fired generation base that produces competitive, low-cost power in average markets, which by virtue of their disparate locations provide a degree of economic and geographical diversity. It also reflects 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 68% of PacifiCorp's 2006 energy requirements came from owned coal, 22% from purchases, 6% from hydro, and 4% from natural gas); the absence of fuel and purchased power adjustment mechanisms in Utah, Washington and Idaho; and the challenge the companies will face in implementing a large capital program, and the attendant regulatory rate relief that will be required to support it.

Under ScottishPower ownership, PacifiCorp was consistently unable to earn its authorized return on equity (ROE), which ranges from 10%-10.5%, depending on the state. Instead, at the time of acquisition, annual ROEs were in the range of 7%. To do so, MEHC will have to implement a constructive regulatory strategy, as it has done with MidAmerican Energy Co., the Iowa-based utility it acquired in 1999. In 2006, the company settled major rate cases in each of the six states, but it should be emphasized that all cases were initiated under ScottishPower ownership. Although these settlements provided PacifiCorp with revenues lower than requested, sometimes substantially so (as in Oregon), and generally prevent the company from going back for rate increases until 2008, the results were largely in line with assumptions in our forecasts. This year's filed rate cases in Idaho and Wyoming represent the first rate case activity in which MEHC has had full discretion in developing its requests.

Future rate cases will largely be driven by new resource additions. In the summer of 2007, the company brought two large generation investments online: Lake Side, a Utah 534 megawatt (MW) combined cycle gas plant, which will increase PacifiCorp's installed gas plant to about 18% of total owned plant capacity; and Marengo, a 140 MW wind farm in southeastern Washington. More wind projects are planned for 2007 and 2008. PacifiCorp's current owned generation capacity is 9,262 MW, including the 2007 additions. The company's integrated resource plan, filed in May 2007, calls for an additional 3,171 MW of additional resources (including energy efficiency and load control) by mid-2016. Regulatory review of the filing is expected to be complete in 2008. Substantial transmission investment is also planned.

As part of its 2006 rate cases, PacifiCorp requested power supply adjusters in a number of states and was successful in Wyoming. The use of an adjuster was rejected in Utah and as part of its 2006 rate case settlement, the company agreed to defer pursuit of one until its next general rate case. In Washington, the Washington Utilities and Transportation Commission (WUTC) ruled that while PacifiCorp had proved its case for one, it did not adopt the proposed design.

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Outlook

The stable outlook reflects our expectation that MEHC will deleverage PacifiCorp through equity infusions, as needed, and reinvest cash flow into its extensive capital expenditure program, as well as 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.

Short-term Rating Factors

PacifiCorp's 'A-1' short-term rating considers the equity commitment of MEHC's ultimate parent, Berkshire Hathaway ('AAA/Stable/A-1+'), to which it has strong ties. Without these ties, the short-term rating on the company would be 'A-2'. 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 commercial paper (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 cash and cash equivalent totaled $56 million as of June 20, 2007, in addition to an unsecured revolving credit agreement for $800 million through July 2011, and $760 million for the subsequent year ending July 2012. There were no borrowings under the revolver as of Sept. 30, 2006, but it supports $30 million of CP outstanding as of the same date, as well as various pollution control revenue bonds, with a letter of credit and standby bond purchase agreement totaling $518 million at June 20, 2007.

The company has two significant numbers of maturities in September and May 2008, of $200 million each, with total maturities for the year at $419 million, which includes capital lease obligations. PacifiCorp's large capital expenditure program will require substantial external funding, including equity contributions from, and zero dividends to MEHC to maintain financial ratios.

Table 1

PacifiCorp: Peer Comparison*

Industry sector: Integrated			
	PacifiCorp	**Portland General Electric Co.**	**Pacific Gas & Electric Co.**
Rating as of Nov. 8, 2007	A-/Stable/A-1'	BBB+/Negative/A-2'	BBB+/Stable/A-2'
	Average of past three fiscal years		
($Mil.)			
Revenues	3,699.87	1,473.33	11,484.33
Net income from continuing operations	306.77	75.67	1,967.00
Funds from operations (FFO)	893.22	291.04	1,797.99
Capital expenditures	1,087.38	278.78	2,051.58
Cash and investments	125.97	112.67	1,425.67
Debt	5,439.98	1,236.53	9,948.02
Preferred stock	41.30	0.00	270.00
Equity	3,766.07	1,182.03	7,462.82
Debt and equity	9,206.04	2,418.56	17,410.84
Adjusted ratios			
EBIT interest coverage (x)	2.63	2.16	3.32
FFO interest coverage (x)	3.77	3.99	3.21
FFO/debt (%)	16.42	23.54	18.07
Discretionary cash flow/debt (%)	(7.15)	(6.80)	(3.79)
Net cash flow / capex (%)	70.16	83.11	70.99
Debt/total capital (%)	59.09	51.13	57.14

Table 1

PacifiCorp: Peer Comparison*(cont.)			
Return on common equity (%)	7.37	4.96	25.31
Common dividend payout ratio (unadjusted) (%)	42.33	78.41	15.47

*Fully adjusted (including postretirement obligations). In 2006, PacifiCorp changes its fiscal year ending from March 31 to Dec. 31.

Table 2

PacifiCorp: Financial Summary*

Organization Type: Electric

	Fiscal year ended Dec. 31,	Fiscal year ended Mar. 31,			
	2006	2006	2005	2004	2003
Rating history	A-/Stable/A-1'	A-/Stable/A-1'	A-/Stable/A-2'	A-/Negative/A-2'	A-/Negative/A-2'
($Mil.)					
Revenues	4,154.10	3,896.70	3,048.80	3,194.50	3,593.40
Net income from continuing operations	307.90	360.70	251.70	249.00	140.10
Funds from operations (FFO)	927.56	864.48	887.62	830.78	600.29
Capital expenditures	1,374.97	1,030.50	856.67	710.51	554.54
Cash and investments	59.00	119.60	199.30	58.80	152.50
Debt	5,473.55	5,185.32	5,661.05	5,035.67	5,043.03
Preferred stock	41.30	41.30	41.30	41.30	41.30
Equity	4,426.80	3,750.66	3,120.74	3,032.25	2,965.67
Debt and equity	9,900.35	8,935.98	8,781.79	8,067.92	8,008.70
Adjusted ratios					
EBIT interest coverage (x)	2.53	2.96	2.41	2.36	1.80
FFO interest coverage (x)	3.77	3.81	3.72	3.77	3.04
FFO/debt (%)	16.95	16.67	15.68	16.50	11.90
Discretionary cash flow/debt (%)	(10.70)	(5.56)	(5.18)	(0.61)	2.40
Net cash flow / capex (%)	66.11	66.70	80.80	93.69	106.93
Debt/debt and equity (%)	55.29	58.03	64.46	62.42	62.97
Return on common equity (%)	6.17	8.94	7.16	7.08	3.90
Common dividend payout ratio (unadjusted) (%)	5.24	49.10	77.63	66.31	2.92

*Fully adjusted (including postretirement obligations). In 2006, PacifiCorp changes its fiscal year ending from March 31 to Dec. 31.

Table 3

Reconciliation Of PacifiCorp Reported Amounts With Standard & Poor's Adjusted Amounts

	Fiscal year ended Dec. 31, 2006							
($Mil.)								
PacifiCorp reported amounts								
	Debt	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Capital expenditures**
Reported	4,528.50	1,153.80	1,153.80	686.20	261.20	752.10	752.10	1,383.60
Standard & Poor's adjustments	--	--	--	--	--	--	--	--

Table 3

Reconciliation Of PacifiCorp Reported Amounts With Standard & Poor's Adjusted Amounts(cont.)								
Operating leases	40.71	14.90	2.46	2.46	2.46	12.44	12.44	14.47
Postretirement benefit obligations	435.24	63.10	63.10	63.10	8.40	66.63	66.63	--
Capitalized interest	--	--	--	--	23.10	(23.10)	(23.10)	(23.10)
Power purchase agreements	469.10	29.08	29.08	29.08	29.08	--	--	--
Reclassification of nonoperating income (expenses)	--	--	--	38.60	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	119.50	--
Total adjustments	945.05	107.08	94.65	133.25	63.05	55.96	175.46	(8.63)
Standard & Poor's adjusted amounts	--	--	--	--	--	--	--	--
	Debt	**Operating income (before D&A)**	**EBITDA**	**EBIT**	**Interest expense**	**Cash flow from operations**	**Funds from operations**	**Capital expenditures**
Adjusted	5,473.55	1,260.88	1,248.45	819.45	324.25	808.06	927.56	1,374.97

*PacifiCorp reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts. In 2006, PacifiCorp changes its fiscal year ending from March 31 to Dec. 31.

Ratings Detail (As Of November 8, 2007)*	
PacifiCorp	
Corporate Credit Rating	A-/Stable/A-1
Commercial Paper	
Local Currency	A-1
Preferred Stock	
Local Currency	BBB
Senior Secured	
Local Currency	A-
Senior Unsecured	
Local Currency	BBB+
Subordinated	
Local Currency	BBB+
Corporate Credit Ratings History	
22-Mar-2006	A-/Stable/A-1
06-Mar-2006	A-/Stable/A-2
25-May-2005	A-/Watch Neg/A-2
18-Aug-2004	A-/Stable/A-2
Related Entities	
CE Electric U.K. Funding Co.	
Issuer Credit Rating	BBB-/Positive/A-3

Ratings Detail (As Of November 8, 2007)*(cont.)	
Senior Unsecured	
Foreign Currency	BBB-
MidAmerican Energy Co.	
Issuer Credit Rating	A-/Stable/A-1
Commercial Paper	
Local Currency	A-1
Preferred Stock	
Local Currency	BBB+
Senior Secured	
Local Currency	A
Senior Unsecured	
Local Currency	A-
MidAmerican Energy Holdings Co.	
Issuer Credit Rating	A-/Stable/--
Preferred Stock	
Local Currency	BBB-
Senior Unsecured	
Local Currency	BBB+
MidAmerican Funding LLC	
Senior Secured	
Local Currency	BBB+
Senior Unsecured	
Local Currency	BBB+
Northern Electric Distribution Ltd.	
Issuer Credit Rating	BBB+/Positive/--
Senior Unsecured	
Local Currency	BBB+
Northern Electric PLC	
Issuer Credit Rating	BBB-/Positive/A-3
Northern Natural Gas Co.	
Issuer Credit Rating	A/Stable/--
Senior Unsecured	
Local Currency	A
Yorkshire Electricity Distribution PLC	
Issuer Credit Rating	BBB+/Positive/A-2
Senior Unsecured	
Local Currency	BBB+
Yorkshire Electricity Group PLC	
Issuer Credit Rating	BBB-/Positive/--
Yorkshire Power Group Ltd.	
Issuer Credit Rating	BBB-/Positive/A-3
Senior Unsecured	BBB-

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

STANDARD
&POOR'S

RatingsDirect®

November 8, 2007

Summary:
PacifiCorp

Primary Credit Analyst:
Anne Selting, San Francisco (1) 415-371-5009; anne_selting@standardandpoors.com

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Summary:
PacifiCorp

Credit Rating: A-/Stable/A-1

Rationale

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12 months ended June 30, 2007, from 68.6% as of Dec. 31, 2005, which principally reflects the $3.4 billion in equity infused into MEHC to fund the $5.1 billion acquisition of PacifiCorp.

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Moody's Investors Service

Global Credit Research
Credit Opinion
26 NOV 2007

Credit Opinion: PacifiCorp

PacifiCorp

Portland, Oregon, United States

Ratings

Category	Moody's Rating
Outlook	Stable
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
Ult Parent: Berkshire Hathaway Inc.	
Outlook	Stable
Issuer Rating	Aaa
ST Issuer Rating	P-1
Parent: MidAmerican Energy Holdings Co.	
Outlook	Stable
Senior Unsecured	Baa1
Preferred Shelf	(P)Baa3

Contacts

Analyst	Phone
Laura Schumacher/New York	212.553.3853
William L. Hess/New York	212.553.3837

Key Indicators

[1]
PacifiCorp

ACTUALS	LTM 9/30/07	LTM 12/31/06	[2]FY 2006	[2]FY 2005
(CFO Pre-W/C + Interest) / Interest Expense [3]	**3.4x**	**4.1x**	**3.7x**	**3.8x**
(CFO Pre-W/C) / Debt [3]	**16.8%**	**17.8%**	**17.9%**	**16.7%**
(CFO Pre-W/C - Dividends) / Debt [3][4]	**16.8%**	**17.5%**	**14.3%**	**12.9%**
(CFO Pre-W/C - Dividends) / Capex [3][4]	**64.6%**	**65.1%**	**66.1%**	**77.3%**
Debt / Book Capitalization	**44.9%**	**45.9%**	**47.1%**	**51.5%**
EBITA Margin %	**22.1%**	**18.0%**	**21.8%**	**22.8%**

[1] All ratios are calculated using Moody's Standard Adjustments. [2] Fiscal Year End March 31 [3] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items. [4] CFO pre-W/C-Dividends, is also referred to as retained cash flow ("RCF") in the Global Regulated Electric Utilities Rating Methodology.

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

Opinion

Company Profile

PacifiCorp (Baa1 senior unsecured, stable outlook) is a vertically integrated electric utility headquartered in Portland, Oregon. As a regulated utility, PacifiCorp serves more than 1.7 million customers in portions of the states of Utah, Oregon, Wyoming, Washington, Idaho and California. The company is also engaged in wholesale marketing of power and coal mining activities. In March 2006, PacifiCorp was acquired by MidAmerican Energy Holdings Company (MEHC: Baa1 senior unsecured, stable outlook), which is a consolidated subsidiary of Berkshire Hathaway Inc. (BRK: Aaa Issuer Rating, stable outlook).

Rating Rationale

PacifiCorp's Baa1 rating for its senior unsecured obligations is driven by the stability of its regulated cash flows, the geographically diverse and relatively constructive regulatory environments in which it operates, the diversification of its generation portfolio, financial credit metrics that are within the ranges demonstrated by U.S. integrated electric utilities rated Baa, and its position as the largest subsidiary of MEHC. The rating considers PacifiCorp's plans for significant capital investment in generation and transmission and for environmental compliance. The stable outlook incorporates Moody's expectation that PacifiCorp will continue to receive generally supportive regulatory treatment for the recovery of its increased costs and that capital expenditures will be financed in a manner that is consistent with its current credit profile.

The most important drivers of PacifiCorp's rating and outlook are as follows:

RESONABLY SUPPORTIVE REGULATORY ENVIRONMENT

PacifiCorp's rating recognizes that the majority of its operations are regulated and acknowledges the relative stability and predictability of cash flows associated with these operations. The rating also considers PacifiCorp's specific regulatory relationships. In 2006, approximately 70% of PacifiCorp's retail revenues were subject to regulatory oversight in Utah and Oregon which Moody's generally ranks as average among U.S. regulatory jurisdictions in terms of framework development, consistency and predictability of decisions, and expectation of timely recovery of costs and investments. In Oregon, California and Wyoming (45% of 2006 revenues) regulators have authorized adjustment mechanisms to recover changes in the costs of fuel and purchased power. Such provisions add predictability to utility returns and reduce implementation lag.

In Utah (41% of 2006 revenues) PacifiCorp does not enjoy an automatic recovery mechanism for fuel and purchased power, however traditional rate cases may be filed on the basis of a forward test year and the commission must act on rate increase requests within 240 days of the initial filing. In December 2006, PacifiCorp received approval for a $115 million revenue increase (approximately 10%) based on a 10.25% ROE, or approximately 60% of the $197 million PacifiCorp originally requested in March 2006. PacifiCorp will file its next general rate case in December 2007, with rates anticipated to be effective in August 2008.

In Oregon (30% of 2006 revenues) forward test years are allowed for rate making and PacifiCorp benefits from a fuel and power purchase cost adjustment mechanism based on forecasted net power costs, as well as automatic recovery of costs to implement Oregon's new Renewable Portfolio Standard. However the company received somewhat less favorable regulatory treatment in its last general rate case. In September 2006, PacifiCorp was authorized to increase revenues by $43 million, $33 million in base rates and $10 million for increased power costs, which was less than half of the approximately $112 million increase originally requested in 2005. A significant portion of PacifiCorp's 2005 request was denied as a result of Senate Bill 408 (SB 408), which was adopted in Oregon in September 2005. SB 408 addressed the differences between taxes collected in retail rates and actual taxes paid by the utilities, and requires the company to flow through consolidated tax savings with ratepayers. The law also authorizes the Oregon Public Utility Commission (OPUC) to implement, upon request, an automatic rate adjustment clause to flow back any differences in utilities' taxes. In October 2007, PacifiCorp submitted to OPUC its first consolidated tax report under SB 408, which indicated that PacifiCorp had actually paid $33 million more in federal state and local taxes than it had collected in rates and it has therefore filed for a surcharge. The filing is currently being reviewed by the PUC; the review period is 180 days with rates potentially effective June 2008.

PacifiCorp currently has general electric rate cases pending in Wyoming (13% of 2006 revenues) and Idaho (6 % of 2006 revenues). In Wyoming, PacifiCorp requested an annual revenue increase of approximately $36.1 million, or 8% based on a 10.75% ROE. PacifiCorp expects new rates would be effective by May 2008. In Idaho, PacifiCorp requested an annual revenue increase of approximately $18.5 million, or 10.3% based on a 10.75% ROE. Parties to the Idaho case have reached a settlement agreement providing for an increase of $11.5 million, or 6.4% based on an ROE of 10.25%. PacifiCorp expects final decision in Idaho by year-end, with rates to be effective in January 2008.

WELL DIVERSIFIED GENERATION PORTFOLIO

PacifiCorp benefits from a well-diversified generation portfolio. Its 8.6 GW generation fleet is comprised primarily of low-cost base load coal and hydro assets, supporting its position as a low cost energy supplier. In 2006, PacifiCorp's owned generation supplied approximately 78% of its energy requirements. PacifiCorp actual peak load for summer 2007 was 9,775 MW. To date in 2007, approximately 674 MW of new wholly-owned natural gas-fired and wind driven generation facilities have come on line, with an additional approximate 370 MWs anticipated by year-end 2008. These additional resources will reduce PacifiCorp's exposure to volatile purchased power costs. PacifiCorp manages its exposure to natural gas price volatility through hedging. Currently, approximately 100% of its financial exposure is hedged through 2008. PacifiCorp also controls 242 million tons of recoverable coal reserves located adjacent to PacifiCorp's coal-fired plants in Utah, Wyoming and Colorado. These mines provide low cost fuel for roughly 30% of PacifiCorp's annual coal needs.

EXISTENCE OF RING-FENCING PROVISIONS

PacifiCorp is ring-fenced via a special purpose entity structure, which preserves its credit profile as an independent operating company, separate from its ultimate parent company. The structure includes typical ring-fencing provisions such as an independent director, separate books and records, restrictions on affiliate transactions (arm's length), prohibitions on collateralizing or guaranteeing affiliate debt, and restrictions on dividend distributions. PacifiCorp's dividend distributions are subject to compliance with certain financial tests, including a minimum coverage ratio of 2.5 times and minimum equity ratio in the range of 44-48.25%. Despite sufficient headroom in the current ratios, Moody's does not expect substantial dividend distributions over the next few years, while PacifiCorp embarks on a significant capital spending program.

FINANCIAL METRICS

The cash flow metrics for PacifiCorp are toward the middle of the ranges identified for integrated electric utility companies in the U.S. rated in the Baa range, and slightly weaker than those of integrated electric companies rated Baa1. For example, over the last three years, the ratio of cash from operations before changes in working capital (CFO pre-W/C) to Debt, adjusted in accordance with Moody's standard analytical adjustments, has been in the range of 16-18% for PacifiCorp versus a median range of 19-21% for other Baa1 rated U.S integrated electric utilities. The interest coverage ratio measured by (CFO pre-W/C + interest) to interest has been in the range of 3.5-4.0 times for PacifiCorp, while the median for the peer group has been in the range of 4.5-5.0 times. These metrics are expected to be pressured over the near-to-medium term as PacifiCorp continues with its significant capital expenditure program; however, we anticipate the company will be pro-active in seeking additional rate recovery of increased costs, and we understand dividend policy will continue to be established in a manner that is supportive of the company's current credit profile. Over the next few years, Moody's anticipates PacifiCorp's ratio of (CFO pre-W/C) to Debt will remain in the range of 17-19% and that its interest coverage ratio will be in a range of 4.0-5.0 times.

The Baa1 rating recognizes the predominately regulated nature of PacifiCorp's activities, its diversity in both regulatory environments and sources of fuel, and management's commitment to maintain a healthy financial profile.

Liquidity

PacifiCorp's Prime-2 short term rating for commercial paper reflects relatively stable and predictable cash flows provided by its operations as a vertically integrated electric utility. In the twelve months ended September 30, 2007, cash flow from operations of $730 million covered approximately 52% of PacifiCorp's outlays including $1.4 billion of capital expenditures. The cash shortfall was funded via a combination of internal and external sources of cash, including $270 million of capital contributions from the parent and approximately $370 million of net debt proceeds. In 2007, capital expenditures are projected to be approximately $1.6 billion. The significant increase in capital expenditures from the $1.0 billion spent in fiscal year 2006 (ended March 2006) is primarily due to construction and development costs related to new wind-generated power capacity, of which approximately 370 MW is expected to be online in 2008, associated transmission lines and clean air initiatives. Over the next few years, PacifiCorp's annual outlays for capital expenditures are projected to exceed cash flow from operations by approximately $200 - 400 million. In 2008, Moody's expects cash shortfalls to be funded from a combination of internal and external sources of cash including capital contributions from the parent and debt financing. Under the terms of an equity commitment agreement, expiring February 28, 2011, BRK has a commitment to provide up to $3.5 billion to MEHC, PacifiCorp's parent. Equity may be requested to fund MEHC's debt obligations coming due or other capital requirements of MEHC's regulated subsidiaries. Beyond 2008, we anticipate that cash shortfalls will be funded primarily with external debt financing.

PacifiCorp's short-term borrowings are supported by a revolving credit facility of $700 million available through 2012, and by a revolving credit agreement of $800 million available through July 2011 (and $760 million for the subsequent year ending July 2012). PacifiCorp relies on these revolving credit facilities to backstop its commercial paper program of $1.5 billion. As of September 30, 2007, PacifiCorp had $206 million of commercial paper outstanding and no other borrowings under the revolver. The facilities do not contain rating triggers that would cause acceleration or make the facilities unavailable and also don't require MAC representation for borrowings. However, the facilities do contain a rating sensitive pricing grid and a financial covenant that limits debt to 65% of total capitalization. As of September 30, 2007, PacifiCorp's debt to capitalization ratio as defined in the agreement was 49%.

PacifiCorp's financing arrangements also include $518 million of standby letters of credit and standby bond purchase agreements that provide credit support for PacifiCorp's variable-rate pollution-control revenue bonds, and $21.0 million of standby letters of credit that provide credit support for certain transactions as requested by third parties. These financing agreements expire periodically through the period ending February 2011 and were fully available as of September 30, 2007.

PacifiCorp's near-term maturities include approximately $200 million of first mortgage bonds due in May 2008 and additional $200 million due in September 2008. Overall, PacifiCorp's liquidity position is felt to be adequate to meet the company's capital needs over the next four quarters.

Rating Outlook

The stable outlook incorporates Moody's expectation that PacifiCorp will continue to receive reasonable regulatory treatment for the recovery of its higher capital expenditures, and that the funding requirements will be financed in a manner consistent with its current credit profile

What Could Change the Rating - Up

While the size of the company's capital expenditures limits the prospects for a rating upgrade in the near-term, the rating could be upgraded if reasonable regulatory support and a conservatively financed capital expenditure program results in a sustained improvement in credit metrics. This would include, for example, PacifiCorp's CFO pre-WC to debt, calculated in accordance with Moody's standard analytical adjustments, being in excess of 20% on a sustainable basis.

What Could Change the Rating - Down

The ratings could be adjusted downward if PacifiCorp's planned capital expenditures are funded in a manner inconsistent with its current financial profile, or if there were to be adverse regulatory rulings on current and future distribution rate cases such that we would anticipate a sustained deterioration in financial metrics as demonstrated, for example, by a ratio of CFO pre-WC to debt falling below 17%, and/or its interest expense coverage being less than 4.0x over an extended period.

Rating Factors

PacifiCorp

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Select Key Ratios for Global Regulated Electric Utilities

Rating	**Aa**	**Aa**	**A**	**A**	**Baa**	**Baa**	**Ba**	**Ba**
Level of Business Risk	**Medium**	**Low**	**Medium**	**Low**	**Medium**	**Low**	**Medium**	**Low**
CFO pre-W/C to Interest (x) [1]	>6	>5	3.5-6.0	3.0-5.7	2.7-5.0	2-4.0	<2.5	<2
CFO pre-W/C to Debt (%) [1]	>30	>22	22-30	12-22	13-25	5-13	<13	<5
CFO pre-W/C - Dividends to Debt (%) [1]	>25	>20	13-25	9-20	8-20	3-10	<10	<3
Total Debt to Book Capitalization (%)	<40	<50	40-60	50-75	50-70	60-75	>60	>70

[1] CFO pre-W/C, which is also referred to as FFO in the Global Regulated Electric Utilities Rating Methodology, is equal to net cash flow from operations less net changes in working capital items

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