Pacific Power |
Rocky Mountain Power |
PacifiCorp Energy

825 NE Multnomah, Suite 1900 LCT
Portland, Oregon 97232

November 25, 2009

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Washington Utilities and Transportation Commission Staff
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Olympia, WA 98504-0128
Attn: Ken Elgin

and

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

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 MidAmerican Energy Holdings Company's acquisition of PacifiCorp.

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 N. Williams
Vice President and Treasurer

Enclosure

Global Power
U.S. and Canada
Credit Analysis

PacifiCorp

A Subsidiary of MidAmerican Energy Holdings Company

Ratings

Security Class	Current Rating
Issuer Default Rating (IDR)	BBB
Senior Secured	A–
Senior Unsecured	BBB+
Preferred	BBB
Short-Term IDR	F2
Commercial Paper	F2

Outlook

Stable

Financial Data

PacifiCorp
($ Mil.)

	6/30/09	12/31/08
Revenue	4,480	4,498
Gross Margin	2,639	2,541
Cash Flow from Operations	1,247	992
Operating EBITDA	1,507	1,437
Total Debt	6,558	5,653
Total Capitalization	12,858	11,640
ROE (%)	7.7	8.3
Capex/Depreciation (%)	4.3	3.7

Analysts

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Related Research

- *MidAmerican Energy Company and MidAmerican Funding LLC, Nov. 5, 2009*
- *Northern Natural Gas, Nov. 5, 2009*

Rating Rationale

- On Oct. 2, 2009, Fitch affirmed PacifiCorp's (PPW) ratings and Stable Rating Outlook, which reflect the utility's solid financial position, competitive resource base, relatively balanced regulation in its six-state service territory, and continued support from its ultimate corporate parent, Berkshire Hathaway Inc.(BRK; issuer default rating [IDR] 'AA+'; Rating Outlook Negative).
- The ratings assume recovery of capital and operating costs in rates will support credit metrics consistent with the company's 'BBB' IDR and Stable Rating Outlook.
- Fitch estimates that PPW's funds from operations to interest and debt to FFO will range from 4.5x–4.8x and 4.2x–4.8x, respectively, in 2009–2011, consistent with Fitch's target median for the 'BBB' rating category.
- Regulatory risk at PPW has been meaningfully reduced in recent years through the adoption of fuel adjustment clauses, forward test years, and single-issue rate cases.
- PPW's planned capital investment program is large, averaging $2 billion per annum through 2013. Unanticipated cost overruns or an inability to recover PPW's investment in base rates are primary concerns for investors.
- PPW's ratings consider corporate structures that insulate the operating utility from its intermediate corporate parent, MidAmerican Energy Holdings Company (MEHC), without impeding the parent's ability to infuse capital into PPW.

Key Rating Drivers

- Manageable debt leverage and solid coverage ratios.
- Timely execution and recovery of planned capital investment in rates.
- Regulatory relations across its six-state service territory.
- Continued support of ultimate parent, BRK.

Liquidity/Capital Structure

PPW had long-term debt outstanding of $6.6 billion at the end of second quarter 2009, including $143 million current portion of long-term debt. Total PPW debt outstanding represented 51.3% of the company's $12.8 billion capital structure. PPW's debt-to-EBITDA ratio was 4.4x for the 12 months ended June 30, 2009. Debt maturities are manageable in Fitch's view, with approximately $880 million of debt scheduled to mature over the remainder of 2009 through 2013, including $587 million in 2011, as indicated in the table on page 2

PPW issued $1 billion of senior secured debt in January 2009, comprised of $350 million of 10-year first mortgage bonds (FMBs) and $650 million of 30-year FMBs, with coupons of 5.5% and 6.0%, respectively. Proceeds from the offering were used to reduce short- and long-term debt, fund capex, and for general corporate purposes. Approximately $125 million of PPW FMBs matured in July 2009 and the remainder in October 2009. No further debt is scheduled to mature in 2009.

As of June 30, 2009, PPW had $552 million of cash and cash equivalents on its balance sheet and borrowing capacity of $1.1 billion under its $1.4 billion of existing revolving credit facilities. The credit facilities mature in 2012 and 2013.

PPW Long-Term Debt Maturities Schedule — 2009–2013
($ Mil.)

Year	Amount
2009	138
2010	15
2011	587
2012	17
2013	261
Total	**1,018**

Source: Company reports.

Large Capital Investment Program

PPW's capital investment is expected to approximate $10 billion during 2009–2013, reaching its apex in 2012, when capex is expected to approximate $2.21 billion, 23% above the $1.79 billion invested in 2008 and 45% higher than the $1.52 billion invested in 2007. See the Capital Expenditure Summary table below for further detail.

PPW Capital Expenditure Summary — 2007–2013
($ Mil.)

	2007A	2008A	2009E	2010E	2011E	2012E	2013E	2009–2013 Total
Capital Expenditures	1,519	1,789	2,160	2,039	1,985	2,209	1,980	10,373
Year-to-Year Change	—	17.7	20.7	(5.6)	(2.6)	11.3	(10.4)	—

A – Actual. E – Estimate.
Source: Company reports.

Fitch estimates that PPW's 2009–2013 operating cash flow will fund approximately three-quarters of projected capex, with the remainder financed via a balanced mix of new debt and equity infusions from MEHC. Fitch projects that the ratio of equity to total capitalization will remain in the low 50s during the same period.

PPW's capital spending program is comprised of wind, transmission, environmental remediation, and generation projects, as well as system overhauls to maintain reliability and serve new load. Among PPW's largest expansion projects is the $6.1 billion Energy Gateway transmission project.

Energy Gateway contemplates the addition of approximately 2,000 miles of high-voltage transmission lines primarily in Utah, Wyoming, Idaho, Oregon, and the desert Southwest during 2010–2018. The first phase of the project, from Populus (located in southern Idaho) to Terminal (located near Salt Lake City, UT), is underway and expected to be completed in 2010. Phase I is a 135-mile double circuit 345-kV line, which is expected to cost approximately $900 million.

In 2008, PPW placed in commercial operation 382 MW of wind generation and acquired the 520-MW Chehalis combined-cycle-combustion turbine for $308 million ($592 per kWh). Future demand growth is expected to be met through a mix of efficient wind and fossil generation as well as demand-side management and energy efficiency programs. Although the risk of cost overrun and significant delay to PPW's capex program are potential concerns for investors, Fitch notes that management has compiled a solid record of executing its investment plans.

Regulatory Developments

Given the size of its planned capital investment, timely recovery of capital and related operating and maintenance costs is crucial for PPW's creditworthiness. Therefore, an adverse change to PPW's regulatory compact leading to greater regulatory lag or recoveries that result in weaker coverage ratios compared with Fitch's projections would likely lead to future deterioration in PPW's creditworthiness and lower credit ratings.

However, PPW management remains keenly focused on managing the regulatory process through effective communication with regulators, frequent rate case filings, and working closely with policy makers and intervener groups to implement effective rate mechanisms and policies. Indeed, PPW has compiled a track record of settled general rate case (GRC) proceedings with balanced outcomes across its service territory in recent years, most recently reaching settlement agreements ultimately approved by regulators in Utah, Wyoming, and Idaho.

In addition, PPW has worked with regulators and other relevant parties to implement regulatory mechanisms to reduce risk exposures, significantly improving the utility's business risk profile in Fitch's view. Such measures include adoption of a forward-looking test year in Utah GRC filings, as well as adoption of fuel/net power supply cost adjustment mechanisms in Oregon, California, Idaho, and Wyoming. Earlier this year, PPW filed a request to implement a fuel adjustment clause in Utah that is now pending before state regulators.

Legislation enacted in Utah (Senate Bill 75) clarifies the authority of the Utah Public Service Commission to create energy-balancing accounts, granting recovery of major plant additions outside of GRC filings, and authority to approve an energy cost adjustment mechanism.

Corporate Structure

Berkshire Hathaway

PPW's affiliation with intermediate holding company, MEHC, and its ultimate parent, BRK, provides two unique, specific financial advantages that confer, in Fitch's view, a measure of incremental financial flexibility to PPW.

First, unlike most utility holding companies, MEHC benefits significantly from capital retained as the direct result of BRK's financial strength, which obviates the need for MEHC to upstream dividends, in turn lowering dividend requirements from its operating subsidiaries.

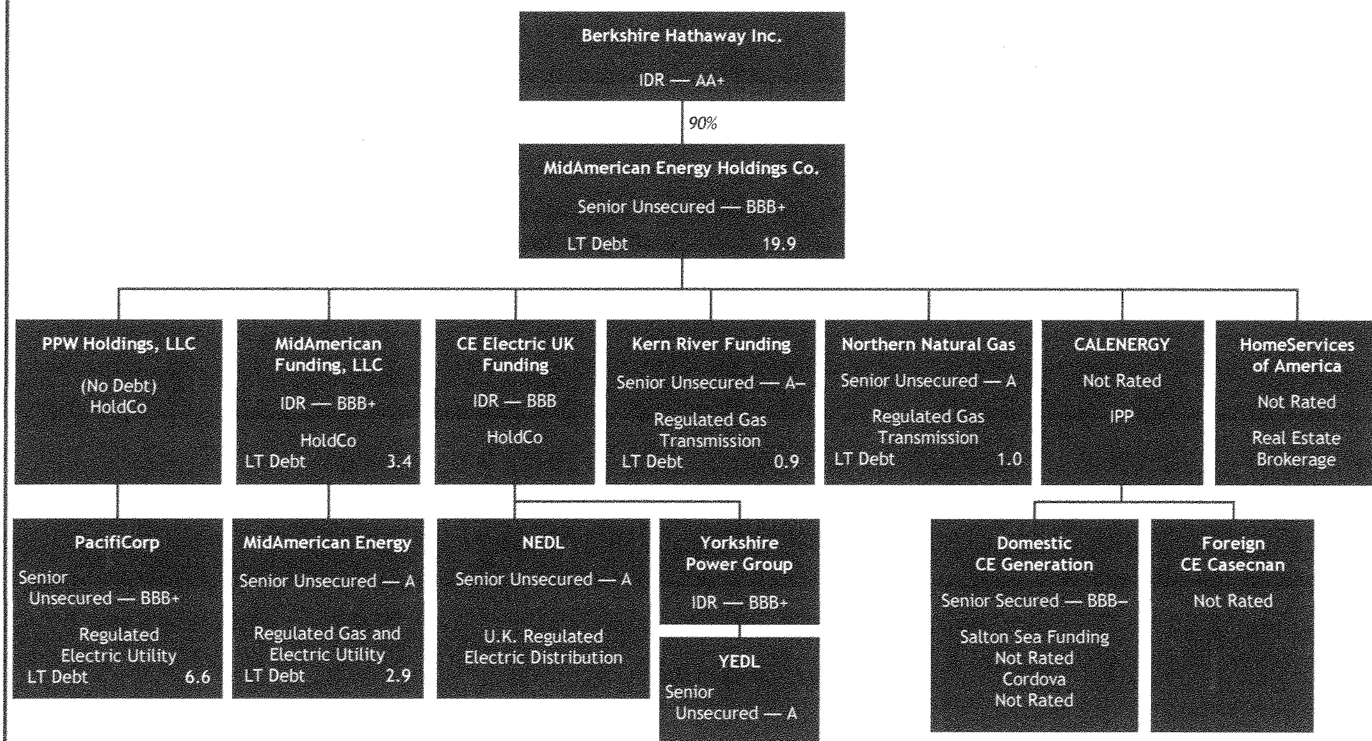
Second, MEHC and BRK have entered into an equity commitment agreement (ECA). The ECA provides equity capital of up to $3.5 billion at the request of MEHC to be used for the purpose of paying MEHC debt obligations when due, and funding the general corporate purposes and capital requirements of MEHC's regulated subsidiaries. The ECA expires Feb. 28, 2011.

PPW's ratings benefit from the strong financial position of BRK, its ultimate corporate parent, and BRK's strategy to invest in utility assets for the long term.

Structural Protections

MEHC has implemented policies and procedures, including the creation of a special purpose entity, PacifiCorp Holdings, LLC (PPWH), designed to insulate PPW from MEHC and its affiliates. PPW has received a non-consolidation opinion from independent counsel.

Among other things, ring-fence provisions include: an independent director; non-recourse structure; dividend restrictions; a prohibition against the use of PPWH's credit or pledge of its assets for the benefit of any other company; and the maintenance of separate books, financial records, and employees.



Note: Ratings reflect senior unsecured or issuer default rating (IDR).
Source: Company reports.

Financial Summary — PacifiCorp

($ Mil., Fiscal Years Ended Dec. 31)

	LTM Ended 6/30/09	2008	2007	2006	2005
Fundamental Ratios (x)					
FFO/Interest Expense	4.5	4.3	4.0	3.9	4.2
CFO/Interest Expense	4.3	3.9	3.6	3.0	3.8
Debt/FFO	4.9	5.0	5.5	7.0	5.4
Operating EBIT/Interest Expense	2.6	2.8	2.8	1.9	2.6
Operating EBITDA/Interest Expense	4.0	4.2	4.4	3.5	4.3
Debt/Operating EBITDA	4.4	3.9	3.7	5.9	4.0
Common Dividend Payout (%)	—	—	—	—	77.2
Internal Cash/Capex (%)	55.9	55.3	54.1	40.9	60.7
Capex/Depreciation (%)	429.1	365.1	305.6	296.1	195.0
Profitability					
Adjusted Revenues	4,480	4,498	4,258	2,924	3,049
Net Revenues	2,639	2,541	2,490	1,627	2,101
Operating and Maintenance Expense	1,011	992	1,004	780	913
Operating EBITDA	1,507	1,437	1,385	770	1,094
Depreciation and Amortization Expense	519	490	497	355	437
Operating EBIT	988	947	888	415	657
Gross Interest Expense	378	343	314	220	253
Net Income for Common	484	458	439	159	250
Operating Maintenance Expense % of Net Revenues	38.3	39.0	40.3	47.9	43.5
Operating EBIT % of Net Revenues	37.4	37.3	35.7	25.5	31.3
Cash Flow					
Cash Flow from Operations	1,247	992	824	432	712
Change in Working Capital	(91)	(142)	(115)	(213)	(103)
Funds from Operations	1,338	1,134	939	645	815
Dividends	(2)	(2)	(2)	(2)	(195)
Capital Expenditures	(2,227)	(1,789)	(1,519)	(1,051)	(852)
Free Cash Flow	(982)	(799)	(697)	(621)	(335)
Net Other Investment Cash Flow	2	6	8	9	(7)
Net Change in Debt	1,539	469	669	350	479
Net Equity Proceeds	250	450	162	207	(8)
Capital Structure					
Short-Term Debt	—	85	—	397	469
Long-Term Debt	6,568	5,578	5,177	4,114	3,899
Total Debt	**6,568**	**5,663**	**5,177**	**4,511**	**4,368**
Total Hybrid Equity and Minority Interest	113	31	31	59	—
Common Equity	6,177	5,946	5,039	4,386	3,336
Total Capital	**12,858**	**11,640**	**10,247**	**8,956**	**7,704**
Total Debt/Total Capital (%)	51.1	48.7	50.5	50.4	56.7
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.9	0.3	0.3	0.7	—
Common Equity/Total Capital (%)	48.0	51.1	49.2	49.0	43.3

Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding.
Source: Company reports, Fitch Ratings.

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October 30, 2009

Summary:
PacifiCorp

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Summary:
PacifiCorp

Credit Rating: A-/Stable/A-2

Rationale

The 'A-' corporate credit rating (CCR) on PacifiCorp reflects its "excellent" business risk profile, evidenced by a diverse and growing service territory, and an "aggressive" financial risk profile that reflects a large capital program and the need to shore up cash flow metrics. Although the ring-fenced utility's credit metrics are more consistent on a stand-alone basis with a 'BBB' category rating, Standard & Poor's Ratings Services expects that management will achieve cash flow metrics more consistent with an 'A' category rating over the next several years. PacifiCorp is owned by MidAmerican Energy Holdings Co. (MEHC; BBB+/Stable/--). In turn, MEHC is privately held and majority owned by Berkshire Hathaway Inc. (AAA/Negative/A-1+), which at year-end 2008 had an 87.4% interest in MEHC on an undiluted basis. MEHC has demonstrated a willingness to deploy equity to support the utility's large capital program.

MEHC's credit profile is supported by Berkshire, which has in place through February 2011 a $3.5 billion equity commitment agreement between itself and MEHC in which MEHC can unilaterally call upon Berkshire to support either its debt repayment or the capital needs of its regulated subsidiaries, including PacifiCorp. We view this agreement between PacifiCorp's parent and a 'AAA'-rated entity as reducing the likelihood of a PacifiCorp default.

Nevertheless, we expect PacifiCorp to have a standalone credit profile consistent with the 'A-' rating. We take this view because the utility has no right to cause MEHC to make an equity contribution, either from MEHC or via Berkshire through an MEHC board request. Although MEHC would typically have strong incentives to support the utility by tapping the Berkshire contingent equity, we note that in a catastrophic utility event, we would expect MEHC to do so only if it were in the parent's best economic interests. Such a scenario is remote and would require an unprecedented event such as what occurred during the Western energy crisis, when regulators refused to allow utilities to recover power procurement costs.

PacifiCorp serves 1.7 million customers in portions of six Western states: Utah, Oregon, Wyoming, Washington, Idaho, and California. The company 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, comprised about 68% of the company's retail electric sales in 2008, with Wyoming and Washington at 24%, and the balance being sold to customers in Idaho and California. As of June 30, 2009, the utility's long-term debt was $6.6 billion. Consolidated long-term debt at MEHC (which includes PacifiCorp's debt) was nearly $20 billion as of the same date.

Supportive rate case outcomes remain key to maintaining and improving upon the company's financial performance. When MEHC purchased PacifiCorp in 2006 from ScottishPower, the utility had consistently been unable to earn its authorized return on equity (ROE), which varies by jurisdiction but ranges from 10% to 10.6%. Management has focused on improving its returns, with some success. In 2008, our calculations suggest that the consolidated ROE for PacifiCorp was 8.3%. Regulatory lag remains an issue for the company, although the company is permitted under state regulation to use forward test years for rate cases in Utah, Oregon, Wyoming, and California. (Idaho

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and Washington require historical test years.)

PacifiCorp has power and fuel cost adjusters in Wyoming and California that allow for the deferral of these costs for later collection. In Oregon, fuel and purchased power costs are updated in rates every January based on forecast power prices, but there is no true-up to reconcile these projected costs with actuals. The company has pending before the Idaho Public Utilities Commission a request to establish an energy cost adjustment mechanism to recover the difference between base power costs set in a general rate case and actual power costs incurred.

Recent rate case activities include:

- In Utah, in April 2009, the Utah Public Service Commission approved the settlement reached in the company's 2008 general rate case that provided for a $45 million rate increase, relative to the $57.4 million originally sought. Also, in June 2009 the company filed its 2009 general rate case with the UPSC requesting a $67 million, or 5%, increase in the base rates, to be effective Feb. 18, 2010.
- In Wyoming, the commission approved the company's $18 million settlement over its 2008 general rate case, relative to the $28.8 million sought, with rates going into effect May 24, 2009.
- In Idaho, the company received authorization to implement its $4.4 million rate case settlement, relative to the $5.9 million it sought.
- In Oregon, the company filed its 2009 general rate case with the Oregon Public Utility Commission, requesting a $92 million, or 9%, increase in the base rates, to be effective by February 2010.
- In Washington, the company filed its 2009 general rate case with the Washington Utilities and Transportation Commission, requesting a $39 million, or 15%, increase in the base rates, effective Jan. 11, 2010.

In September 2008 the company purchased for $308 million the Chehalis plant, a 520-megawatt (MW) combined-cycle plant that will now have to be authorized for recovery in current or future rate cases in all the states PacifiCorp serves except California. The investment will be part of the Washington and Oregon 2009 general rate cases and is part of pending cases in Wyoming and in Utah, which has preapproved the purchase. The company also brought online 382 MW of new wind generation in 2008. Nevertheless, the company's supply portfolio remains predominantly coal, meeting about 65% of all requirements in 2008.

PacifiCorp completed $1.8 billion in capital expenditures in 2008, up from $1.5 billion in 2007. The company is projected to spend $6.1 billion in 2009-2011, excluding non-cash allowance for funds used during construction. The largest component of PacifiCorp's capital program is the construction of the Gateway transmission project, an estimated $6.1 billion, 2,000-mile transmission line connecting portions of Wyoming, Utah, Idaho, Oregon, and the southwestern U.S. The project is being completed in phases, with initial portions of new lines being placed into service as early as 2010 and a completion date scheduled for 2018. About 38% of the company's total capital budget over the next three years is devoted to transmission investment, of which Gateway is a component. In 2008, the Federal Energy Regulatory Commission awarded the company incentive rate treatment of 200 basis points for seven of the eight project segments.

High fuel prices affected PacifiCorp's 2008 results, as did hydro conditions that were about 90% of normal. However, declining fuel prices during the latter half of 2008 and during 2009, together with regulatory rate relief, have resulted in an improvement in the gross margin per MW hour sold for the 12 months ended June 30, 2009. Operating income increased about 4% due in large part to lower fuel costs. For the 12 months ended June 30, 2009, cash flow from operations was boosted by increased net income and the changes in regulatory assets and liabilities,

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as compared with year-end 2008 cash flows. Approximately 30%-32% of PacifiCorp's total electric sales are to industrial customers. Retail and wholesale sales were roughly flat in 2008 relative to 2007. However, due to the economic downturn the company experienced an approximate 5% decline in retail sales for the first six months of 2009, and we expect the sales contraction to continue through the year, possibly becoming a drag on 2009 performance.

Leverage as of June 30, 2009, for the company was 54.6%, up from 52.6% as of year-end 2008, which reflects approximately $990 million of new long-term borrowing in the first half of 2009, net of maturities. During 2008, MEHC infused $850 million in equity. Such equity investments will remain a key to maintaining a balanced structure throughout the company's capital program. Debt to total capitalization reflects several adjustments we make, the largest of which include adding $424 million for power purchase obligations and $379 million for post-retirement obligations. We expect that PacifiCorp will not be in a position to make distributions to its parent while it executes its capital program, and that MEHC will lower PacifiCorp's debt leverage to the 50% area in the next several years.

Cash flow metrics remain weak for the rating but are improving modestly. For the 12 months ended June 30, 2009, funds from operations (FFO) to total debt was nearly 18% and FFO interest coverage was 4.1x, which are consistent with 2008 ratios. We would expect PacifiCorp to produce FFO interest coverage in the range of 4.0x-4.5x and to achieve FFO to total debt in the 20% area.

Short-term credit factors

The company's liquidity position is strong. The 'A-2' short-term rating reflects our view that although a $3.5 billion contingent equity agreement between MEHC and Berkshire supports MEHC and its subsidiaries, the agreement is not a source of instantaneous liquidity. The agreement allows Berkshire up to 180 days to fund MEHC's request. Given the recent turmoil in both liquidity and capital markets, we have taken a firmer view on the need to link the short-term ratings on PacifiCorp to its stand-alone credit quality, which supports an 'A-2' short-term rating. However, we note that although Berkshire contractually has up to six months to respond to an MEHC call for liquidity, it has strong economic incentives to do so.

PacifiCorp's cash and cash equivalents totaled $552 million as of June 30, 2009. In addition, the company has $1.4 billion in unsecured revolving credit structured in two separate agreements: an $800 million line expiring July 2013 and a $700 million line extending through October 2012. As of June 30, 2009, the company had no outstanding balances under the credit facilities and had letters of credit in place for $258 million, leaving $1.14 billion available under its revolving credit facilities. PacifiCorp's single largest exposure to any banks under its revolving facility as a percentage of total commitments is 15%, which is manageable. Regulators limit PacifiCorp to no more than $1.5 billion in debt outstanding.

Outlook

The stable outlook for PacifiCorp incorporates our expectation that MEHC will continue to support the utility by contributing equity sufficient to ensure that fully adjusted debt to total capitalization is managed over the next few years to an adjusted level closer to 50%, and that FFO to total debt and FFO interest coverage will be 20% or better and in the range of 4.0x-4.5x, respectively. Given that PacifiCorp's financial risk profile is weak for the current ratings, we do not expect near-term upward ratings momentum, which would require the company to sustain

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metrics above these levels. PacifiCorp's ring-fenced structure insulates it from some MEHC credit deterioration. Specifically, our criteria provides that the PacifiCorp CCR can be no more than three notches above the MEHC CCR. The company is comfortably within this range, so we see no significant prospects for the utility rating to fall as a result of adverse rating changes at MEHC, which also enjoys a stable outlook.

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