Exhibit No.___(BNW-12)
Docket No. UE-100749
Witness: Bruce N. Williams

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,	)	
	)	Docket No. UE-100749
Complainant,	)	
vs.	)	
PACIFICORP dba Pacific Power	)	
Respondent.	)	

PACIFICORP

EXHIBIT OF BRUCE N. WILLIAMS

Moody's and S&P Rating Reports

November 2010

STANDARD & POOR'S

Global Credit Portal
RatingsDirect®

October 7, 2010

PacifiCorp

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PacifiCorp

Major Rating Factors

Corporate Credit Rating
A-/Stable/A-2

Strengths:

- Market and regulatory diversity is afforded by PacifiCorp's electric utility business, which serves portions of six western U.S. states;
- Retail electric rates compare favorably with those of other electric suppliers operating in the states PacifiCorp serves, suggesting that the company may be able to maintain its competitive advantage despite its ongoing need for rate relief to support a large capital program;
- The company has made progress in putting into place fuel and purchased power adjusters in the six states it serves (an adjuster was put into effect in Idaho in 2009, and one is pending in PacifiCorp's largest market, Utah);
- The completion of new natural gas plants, along with wind farm investment, is reducing the company's reliance on purchased power; and
- A settlement reached in February 2010 regarding the contentious Klamath hydro relicensing case has the potential to adequately address the company's financial exposure if the project is decommissioned, which will not occur before 2020.

Weaknesses:

- Despite the company's policy of filing near annual rate cases in the states PacifiCorp serves, regulatory lag continues to allow only modest improvement in the company's financial profile: Its return on equity remains under authorized levels and although leverage has improved since MidAmerican Energy Holdings Co. acquired the utility in 2006, cash flow metrics remain just adequate to support the rating;
- Regulators will need to consistently support retail rate increases to recover PacifiCorp's planned capital investments, although the recessionary environment has caused some scaling-back of capital plans; and
- Growth in the percentage of generation provided by natural gas costs mitigates some of the company's potential exposure to carbon regulation, but introduces greater potential for cost volatility.

Rationale

The 'A-' corporate credit rating on PacifiCorp (PPW) reflects its "excellent" business risk profile, evidenced by a diverse and growing service territory, and "significant" financial risk profile. PPW has made modest strides in improving regulatory outcomes which should put the company on a path to achieving cash flow coverage metrics that comfortably support the rating. The company has made progress in increasing core earnings amid a recession and a period of heavy capital spending for the company. The company has achieved this by focusing on strengthening the regulatory mechanisms that are in place in the six states it serves and working to minimize regulatory lag by filing for nearly annual rate relief in almost all states it serves.

In 2010 PPW has continued to receive revenue increases through rate case outcomes, fuel adjustments and other recovery mechanisms. Highlights of key regulatory rulings that have provided increased revenues to the company in

2010 include a Utah general rate increase beginning in February 2010 for $32 million (or a 2% increase), and a $31 million increase for the recovery of two major projects approved in June. Also in Utah, the company's largest market, the company has received approval to establish an energy cost adjustment mechanism, with the mechanism design under consideration before the Utah Public Service Commission. In January 2010, the Oregon Public Utility Commission (OPUC) approved a stipulation in the company's 2009 general rate case increasing base rates by $42 million, effective Feb. 2, 2010. In January 2010, PPW received a rate increase of $14 million, or 5%, in Washington. In March 2010, PPW filed a new general rate case in Oregon requesting an increase in the rates by $131 million, or 13% increase, and in July reached a multiparty stipulation for an increase of $85 million, or 8%. If approved by the OPUC, the rates will be effective Jan. 1, 2011.

As with many electric utilities, the company's 2008 and 2009 credit metrics have been buoyed by deferred tax increases, which boosted funds from operations metrics. But these effects notwithstanding, the company's funds from operations (FFO) to total debt has been consistently in the high teens, slightly below our expected credit metrics for the rating, since it was acquired by MidAmerican Energy Holdings Co. (MEHC; BBB+/Stable/--). Leverage has also been somewhat high for the rating at 53% at year-end 2009. However, we expect that credit metrics will improve in the coming years, producing FFO to total debt in the area of 20%, FFO interest coverage of 20% or better and in the range of 4.0x-4.5x, and leverage of about 50%. (We would note that PPW has, over the last three years, produced FFO to total debt of more than 20%, but this is due to benefits of deferred taxes.)

PPW 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, accounted for about 67% of the company's retail electric sales in 2009, with Wyoming and Washington at 25%, and the balance being sold to customers in Idaho and California. As of Dec. 31, 2009, the utility's long-term debt was $6.4 billion.

PPW completed $2.3 billion in capital expenditures in 2009, up from $1.8 billion in 2008. The company projects that it will spend $4.6 billion in 2010-2012, excluding non-cash allowance for funds used during construction. The largest component of PPW's capital program is the construction of the Gateway transmission project, an estimated $4.6 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 in service as early as 2010 and a tentative completion date of 2018. About 34% of the company's total capital budget over the next three years (2010-2012) 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.

PPW is owned by MEHC. In turn, MEHC is privately held and majority owned by Berkshire Hathaway (AA+/Stable/A-1+). MEHC has demonstrated a willingness to deploy equity to support the utility's large capital program, providing the utility with $865 million in equity contributions since it purchased the company in March 2006. Although PPW is investing heavily in its system, we expect PPW distributions to MEHC to be minimal.

MEHC's credit profile is supported by Berkshire Hathaway, 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 Hathaway to support either its debt repayment or the capital needs of its regulated subsidiaries, including PPW. In March 2010, the agreement was extended through February 2014 at a lower level of $2 billion. We view this agreement between PPW's parent and a 'AA+' rated entity as reducing the likelihood of a PPW default.

Nevertheless, we expect PPW to grow into a stand-alone credit profile consistent with the 'A-' rating on the company. We take this view because the utility has no right to cause MEHC to make an equity contribution, either from MEHC or via 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 would note that in a catastrophic utility event, MEHC would be expected to do so only if doing so 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.

Short-term credit factors

On a stand-alone basis (i.e., unenhanced by the existing contingent equity agreement available to MEHC to support any of its regulated subsidiaries, including PPW) we view PPW's liquidity as "strong" 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, the company's committed capital expenditures, debt maturities, and common dividends by about 1.5x. Under our criteria, we exclude as sources of liquidity any facilities expiring within one year of the liquidity assessment date. Presuming that MEHC draws on its contingent equity to support PPW's projected capital requirements and debt maturities over the next two years, liquidity would be bolstered to more than 2x, or "exceptional."

As of June 30, 2010, PPW's cash and cash equivalents totaled $110 million. The utility maintains unsecured credit facilities totaling nearly $1.4 billion that mature 2012-2013. As of June 30, 2010, PPW had additional borrowing capacity of $1.1 billion, because $304 million of liquidity is reserved to support variable-rate tax-exempt bond obligations and letters of credit. There are no rating triggers on the credit lines. PPW's next substantial long-term debt maturities are $600 million due in 2011 and $284 million in 2013.

Outlook

The stable outlook on the PPW ratings 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 a level of closer to 50% and that FFO to total debt and FFO interest coverage will be in the area of 20% and the 4.0x-4.5x range, respectively. Given that PPW's financial risk profile is weak for the ratings, we do not expect near-term upward ratings momentum for the utility. PPW's regulatory and structural insulation shields the utility from MEHC credit deterioration, to an extent. Specifically, our criteria provide that the PPW corporate credit rating can be no more than three notches above the MEHC consolidated credit rating. The company is comfortably within this range, so we do not see significant risks that the utility rating will fall as a result of adverse rating changes on MEHC, which also has a stable rating outlook.

Table 1.

PacifiCorp -- Peer Comparison*

	PacifiCorp	Portland General Electric Co.	Pacific Gas & Electric Co.
Rating as of Sept. 22, 2010	A-/Stable/A-2	BBB/Stable/A-2	BBB+/Watch Neg/A-2

Table 1.

PacifiCorp -- Peer Comparison* (cont.)

	--Average of past three fiscal years--		
(Mil. $)			
Revenues	4,404.3	1,764.0	13,218.9
Net income from cont. oper.	479.7	109.0	1,157.7
Funds from operations (FFO)	1,342.3	326.5	3,030.0
Capital expenditures	1,850.2	511.4	3,437.7
Cash and short-term investments	134.7	38.0	175.7
Debt	6,641.7	1,875.2	12,662.8
Preferred stock	34.2	0.0	258.0
Equity	5,926.2	1,404.3	10,032.3
Debt and equity	12,567.9	3,279.5	22,695.2
Adjusted ratios			
EBIT interest coverage (x)	2.8	2.2	2.9
FFO int. cov. (x)	4.3	3.5	4.1
FFO/debt (%)	20.2	17.4	23.9
Discretionary cash flow/debt (%)	(10.5)	(14.4)	(14.1)
Net cash flow/capex (%)	72.5	51.5	71.2
Total debt/debt plus equity (%)	52.8	57.2	55.8
Return on common equity (%)	7.2	6.3	11.1
Common dividend payout ratio (unadj.) (%)	2.7	59.6	49.6

*Fully adjusted (including postretirement obligations).

Table 2.

PacifiCorp -- Financial Summary*

	--Fiscal year ended Dec. 31--				
	2009	**2008**	**2007**	**2006**	**2006**
Rating history	A-/Stable/A-2	A-/Watch Neg/A-1	A-/Stable/A-1	A-/Stable/A-1	A-/Stable/A-1
(Mil. $)					
Revenues	4,457.0	4,498.0	4,258.0	4,154.1	3,896.7
Net income from continuing operations	542.0	458.0	439.0	307.9	360.7
Funds from operations (FFO)	1,760.1	1,272.1	994.8	927.6	864.5
Capital expenditures	2,297.1	1,757.0	1,496.4	1,375.0	1,030.5
Cash and short-term investments	117.0	59.0	228.0	59.0	119.6
Debt	7,415.8	6,635.9	5,873.5	5,473.6	5,185.3
Preferred stock	20.5	41.0	41.0	41.3	41.3
Equity	6,711.5	5,987.0	5,080.0	4,426.8	3,750.7
Debt and equity	14,127.3	12,622.9	10,953.5	9,900.4	8,936.0
Adjusted ratios					
EBIT interest coverage (x)	2.7	2.8	2.8	2.5	3.0
FFO int. cov. (x)	4.9	4.2	3.5	3.8	3.8
FFO/debt (%)	23.7	19.2	16.9	16.9	16.7
Discretionary cash flow/debt (%)	(10.2)	(10.7)	(10.5)	(10.7)	(5.6)

Table 2.

PacifiCorp -- Financial Summary* (cont.)					
Net cash flow/capex (%)	76.6	72.3	66.3	66.1	66.7
Debt/debt and equity (%)	52.5	52.6	53.6	55.3	58.0
Return on common equity (%)	7.0	6.8	7.8	6.2	8.9
Common dividend payout ratio (unadj.) (%)	7.0	0.0	0.0	5.2	49.1

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of PacifiCorp Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2009--									
PacifiCorp reported amounts										
	Debt	**Shareholders' equity**	**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**	**Dividends paid**	**Capital expenditures**
Reported	6,416.0	6,732.0	1,609.0	1,609.0	1,060.0	359.0	1,500.0	1,500.0	2.0	2,328.0
Standard & Poor's adjustments										
Operating leases	36.5	--	5.0	2.3	2.3	2.3	2.7	2.7	--	4.1
Intermediate hybrids reported as equity	20.5	(20.5)	--	--	--	1.0	(1.0)	(1.0)	(1.0)	--
Postretirement benefit obligations	369.9	--	20.0	20.0	20.0	5.0	33.8	33.8	--	--
Accrued interest not included in reported debt	111.0	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	35.0	(35.0)	(35.0)	--	(35.0)
Power purchase agreements	395.7	--	63.3	63.3	25.8	25.8	37.5	37.5	--	--
Asset retirement obligations	66.3	--	9.0	9.0	9.0	9.0	5.2	5.2	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	83.0	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	217.0	--	--
Total adjustments	999.8	(20.5)	97.3	94.6	140.2	78.2	43.1	260.1	(1.0)	(30.9)

Table 3.

Reconciliation Of PacifiCorp Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Standard & Poor's adjusted amounts

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	7,415.8	6,711.5	1,706.3	1,703.6	1,200.2	437.2	1,543.1	1,760.1	1.0	2,297.1

*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.

Ratings Detail (As Of October 7, 2010)*

PacifiCorp	
Corporate Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BBB
Senior Secured (69 Issues)	A
Senior Unsecured (1 Issue)	A-
Senior Unsecured (2 Issues)	A/Developing
Corporate Credit Ratings History	
27-Mar-2009	A-/Stable/A-2
18-Sep-2008	A-/Watch Neg/A-1
22-Mar-2006	A-/Stable/A-1
06-Mar-2006	A-/Stable/A-2
Business Risk Profile	Excellent
Financial Risk Profile	Significant
Related Entities	
CE Casecnan Water and Energy Co. Inc.	
Senior Secured (1 Issue)	BB+/Stable
CE Electric U.K. Funding Co.	
Issuer Credit Rating	BBB+/Stable/A-2
Senior Unsecured (1 Issue)	BBB+/Stable
CE Generation LLC	
Senior Secured (1 Issue)	BB+/Stable
Cordova Energy Co. LLC	
Senior Secured (1 Issue)	BB/Stable
Iowa-Illinois Gas & Electric Co.	
Senior Unsecured (5 Issues)	A-/A-2
Kern River Gas Transmission Co.	
Senior Secured (2 Issues)	A-/Stable
MidAmerican Energy Co.	
Issuer Credit Rating	A-/Stable/A-2

Ratings Detail (As Of October 7, 2010)* (cont.)	
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BBB+
Senior Unsecured (9 Issues)	A-
Senior Unsecured (2 Issues)	A-/A-2
MidAmerican Energy Holdings Co.	
Issuer Credit Rating	BBB+/Stable/--
Preferred Stock (2 Issues)	BBB-
Senior Unsecured (8 Issues)	BBB+
MidAmerican Funding LLC	
Senior Secured (2 Issues)	BBB+
Midwest Power Systems Inc.	
Senior Unsecured (1 Issue)	A-/A-2
Northern Electric Distribution Ltd.	
Issuer Credit Rating	A-/Stable/--
Senior Unsecured (1 Issue)	A-
Northern Electric Finance PLC	
Senior Unsecured (1 Issue)	A-/Stable
Northern Electric PLC	
Issuer Credit Rating	BBB+/Stable/A-2
Senior Unsecured (1 Issue)	A-
Northern Natural Gas Co.	
Issuer Credit Rating	A/Stable/--
Senior Unsecured (5 Issues)	A
Salton Sea Funding Corp.	
Senior Secured (2 Issues)	BBB-/Stable
Yorkshire Electricity Distribution PLC	
Issuer Credit Rating	A-/Stable/A-2
Senior Unsecured (1 Issue)	A-
Senior Unsecured (1 Issue)	A-/Stable
Yorkshire Electricity Group PLC	
Issuer Credit Rating	BBB+/Stable/--
Yorkshire Power Group Ltd.	
Issuer Credit Rating	BBB+/Stable/A-2
Senior Unsecured (1 Issue)	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.

MOODY'S
INVESTORS SERVICE

Credit Opinion: PacifiCorp

Global Credit Research - 06 Aug 2010

Portland, Oregon, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Senior Secured	A2
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured MTN	Baa1
Preferred Stock	Baa3
Commercial Paper	P-2
Ult Parent: Berkshire Hathaway Inc.	
Outlook	Stable
Issuer Rating	Aa2
Senior Unsecured	Aa2
ST Issuer Rating	P-1
Parent: MidAmerican Energy Holdings Co.	
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1

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Key Indicators

[1]**PacifiCorp**

ACTUALS	**1Q10 LTM**	**2009**	**2008**	**2007**
(CFO Pre-W/C + Interest) / Interest Expense	**5.1x**	**5.3x**	**4.0x**	**3.9x**
(CFO Pre-W/C) / Debt	**24.3%**	**26.0%**	**18.7%**	**17.9%**
(CFO Pre-W/C - Dividends) / Debt	**24.2%**	**26.0%**	**18.7%**	**17.9%**
Debt / Book Capitalization	**42.1%**	**42.4%**	**43.2%**	**44.7%**

[1] All ratios are calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

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

Opinion

Rating Drivers

Supportive regulatory environment

Metrics well positioned within rating ranges

Reasonably diverse generating capacity

Moderate growth in service territory

Corporate Profile

PacifiCorp (Baa1 senior unsecured, stable) is a vertically integrated electric utility headquartered in Portland, Oregon serving 1.7 million customers in portions of the states of Utah (42% of 2009 retail electricity volumes), Oregon (25%), Wyoming (17%), Washington (8%), Idaho

(6%) and California (2%) and also engaging in wholesale power marketing (as a result of excess electricity generation or other system balancing activities) and coal mining activities. PacifiCorp is an indirect wholly-owned subsidiary of MidAmerican Energy Holdings Company (MEHC: Baa1 senior unsecured, stable), which is a consolidated subsidiary of Berkshire Hathaway Inc. (BRK: Aa2 Issuer Rating, stable).

SUMMARY 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, credit metrics that are within the ranges appropriate for a regulated utility rated Baa1. The rating also considers PacifiCorp's position as a subsidiary of MEHC, a holding company whose subsidiaries are primarily engaged in regulated activities.

DETAILED RATING CONSIDERATIONS

Reasonably supportive regulatory environment

PacifiCorp's rating recognizes the regulated nature of its businesses and acknowledges the relative stability and predictability of cash flows associated with these operations. The majority of PacifiCorp's regulated operations are conducted in states that Moody's considers average for U.S. regulatory jurisdictions in terms of framework, consistency and predictability of decisions and an expectation of timely recovery of costs and investments.

In Utah, Oregon and California, PacifiCorp is able to utilize a forward test year which limits regulatory lag. While in Washington and Idaho, PacifiCorp utilizes a historic test year with known adjustments and in Wyoming, PacifiCorp uses a historic test year with known and measurable adjustments or a forecast test year based on circumstances. In an attempt to minimize regulatory lag and earn its allowed ROEs, PacifiCorp is expected to file frequent rate cases in all its jurisdictions.

In Idaho, Oregon, California and Wyoming, regulators have authorized adjustment mechanisms to recover changes in the costs of fuel and purchased power. In Utah, Oregon, Washington, California and Idaho, PacifiCorp has regulatory tools to recover or defer recovery of the revenue requirement associated with new renewable resource additions and, in some cases, other new significant investments outside of traditional rate cases. In Utah, legislation passed in March 2009 also authorized the commission to approve energy cost adjustment mechanisms. Subsequently, PacifiCorp requested approval for an energy adjustment mechanism (ECAM). The request which is currently before regulators has passed the first phase of the review which was to determine if use of an ECAM was in the public interest, the utility and interveners are now addressing rate design considerations. Moody's views fuel and purchased power adjustment provisions as supportive to credit quality as they add predictability to utility cash flows and reduce implementation lag.

Oregon SB 408 authorizes the Oregon Public Utility Commission (OPUC) to separately evaluate the difference between utilities' income taxes paid and the amounts collected from customers and requires the company to adjust rates for the differences. In October 2009, PacifiCorp indicated that it is in a $38 million under-collected position for the 2008 tax year. In April 2010, the OPUC approved a stipulation reached with PacifiCorp and OPUC Staff allowing PacifiCorp to recover $2 million for the 2008 tax year.

Within the framework of Moody's August 2009 Rating Methodology for Regulated Electric and Gas Utilities (the Methodology), for Factor 1: Regulatory Framework, PacifiCorp maps to a rating factor in the Baa range. The Baa rating reflects regulatory environments which are generally supportive though PacifiCorp needs on-going rate relief. For Factor 2: Ability to Recover Costs and Earn Returns - PacifiCorp has energy adjustment mechanisms in most of its jurisdictions and maps to a rating factor in the Baa range.

Multi-state service territory

In 2009, PacifiCorp's retail sales declined by 3% relative to 2008 retail sales. Over the medium term, PacifiCorp is expected to experience reasonable growth of 2-3% annually over the near-term. Within the framework of the Methodology, for Factor 3: Diversification - Market Position, PacifiCorp's multi-state service territory with an improving economic environment results in a rating factor score in the A range.

Well diversified generation portfolio

PacifiCorp benefits from a well-diversified generation portfolio. Its 10,483 MW generation fleet is comprised primarily of low-cost base load coal and hydro assets, supporting its position as a low cost energy supplier. In 2007-2009, coal fired capacity contributed 63-65% and hydro contributed 5% of PacifiCorp's energy supply. Natural gas fired capacity supplied much of the remainder. In addition, PacifiCorp has 921 MW of wind capacity which mitigates some of its exposure to volatile natural gas prices. Due to the balanced fuel-mix including an average level of coal generation, within the framework of the Methodology, for Factor 3: Diversification - Generation and Fuel Diversity, PacifiCorp maps to a rating factor in the Baa range.

Credit metrics consistent with Baa ranges

PacifiCorp's credit metrics are toward the upper end of the ranges indicated in the Methodology for utilities rated Baa, which is consistent with PacifiCorp's Baa1 rating. Through 2008, PacifiCorp's ratio of cash from operations before changes in working capital (CFO pre-W/C) to Debt, calculated in accordance with Moody's standard adjustments, were in the range of 18-19% and its CFO pre-W/C interest coverage were in the range of 3.8-4.1x range. In 2009, metrics improved significantly with CFO pre-W/C to Debt of 26% and CFO pre-W/C interest coverage of 5.3x. Cash flow improved due to rate increases, improved margins on wholesale power transactions and increased deferred taxes due to bonus depreciation. Over the near-to-medium term, Moody's anticipates PacifiCorp's credit metrics will remain comparable to pre-2009 levels with CFO pre-W/C to Debt above 18% and CFO pre-W/C interest coverage of around 4.0x. Moody's anticipates the company will proactively seek rate relief for increased costs related to its investment program and that any potential dividend policy will be established in a manner that is supportive of the company's current credit profile.

Liquidity

PacifiCorp's Prime-2 short term rating for commercial paper reflects the relatively stable and predictable cash flows provided by its operations as a regulated vertically integrated electric utility.

In 2009, cash from operations of $1.5 billion covered approximately 64% of PacifiCorp's outlays including $2.3 billion of capital expenditures and plant acquisitions. The cash shortfall was funded via a combination of internal and external sources of cash, including $125 million of capital contributions from the parent and approximately $1 billion of first mortgage bond issuance in January 2009. In 2010, capital expenditures are projected to be approximately $1.7 billion. In 2010, Moody's does not expect PacifiCorp to need significant financing due to the significant decline in its capital expenditures and limited amounts of maturing debt. Over the next few years, future cash shortfalls are expected to be funded from a combination of internal and external sources of cash including capital contributions from the parent and debt financing.

PacifiCorp's liquidity profile is further supported by an equity commitment agreement, expiring February 28, 2014, between MEHC, PacifiCorp's parent, and BRK, PacifiCorp's ultimate parent, under which BRK has committed to provide up to $3.5 billion in equity to MEHC through February 28, 2011 reducing to $2 billion through February 2014. Equity from this agreement may be requested to fund MEHC's debt obligations or to provide capital to MEHC's regulated subsidiaries, including PacifiCorp.

PacifiCorp's liquidity position is supported by a $635 million revolving credit facility available through October 2012, and by a second $760 million revolving credit agreement available through July 2011 after which availability is reduced to $720 million for the year ending July 2012 and to $630 million for the year ending July 2013. PacifiCorp relies on these revolving credit facilities to backstop its commercial paper program and to support its variable rate tax-exempt bonds. As of March 31, 2010, PacifiCorp had no short term debt or commercial paper outstanding and $258 million of the facilities were used for letters of credit and to support variable-rate pollution control bonds. 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. The facilities do contain a rating sensitive pricing grid and a financial covenant that limits debt to 65% of total capitalization. As of March 31, 2010, PacifiCorp's debt to capitalization ratio as defined in the agreement was 48%.

PacifiCorp's near-term maturities include $500 million of first mortgage bonds due November 2011 and $87 million of other first mortgage bonds maturing throughout 2011. Overall, PacifiCorp's liquidity position is felt to be sufficient 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 management's commitment to maintain a healthy financial 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 ratios of CFO pre-W/C to Debt remaining in excess of 22%, and CFO pre-W/C + interest expense coverage remaining above 4.5x, 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 rate cases such that we would anticipate a sustained deterioration in financial metrics as demonstrated, for example, by a ratio of CFO pre-W/C to Debt falling below 19%, and/or its CFO pre-W/C interest expense coverage being less than 3.9x over an extended period.

Rating Factors

PacifiCorp

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)				X		
Factor 2: Ability to Recover Costs and Earn Returns (25%)				X		
Factor 3: Diversification (10%)						
a) Market Position (5%)			X			
b) Generation and Fuel Diversity (5%)				X		
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Interest (7.5%) (3yr Avg)				X		
c) CFO pre-WC / Debt (7.5%) (3yr Avg)				X		
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)			X			
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)			X			
Rating:						
a) Methodology Implied Senior Unsecured Rating				**Baa1**		
b) Actual Senior Unsecured Rating				**Baa1**		

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