PACIFICORP
A MIDAMERICAN ENERGY HOLDINGS COMPANY

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

October 13, 2011

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

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and

Office of Attorney General
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Attn: Simon ffitch

Re: Washington Docket No. UE-051090 Compliance Filing

PacifiCorp, d.b.a. Pacific Power & Light Company (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 Williams
Vice President and Treasurer

Enclosure

FitchRatings

Fitch Affirms MEHC and Subsidiary Ratings; Outlook Stable Ratings

29 Sep 2011 3:54 PM (EDT)

Fitch Ratings-New York-29 September 2011: Fitch Ratings has affirmed the MidAmerican Energy Holdings Company's (MEHC) long- and short-term Issuer Default Ratings (IDR) at 'BBB+' and 'F2', respectively. Fitch has also affirmed MEHC's Individual security ratings and its subsidiary IDR and instrument ratings as listed below. The Rating Outlook is Stable. Approximately $20 billion of debt is affected by the rating action.

Key MEHC rating drivers include:
--The underlying financial strength and relative predictability of its core U.S.-based electric utility and natural gas pipeline companies and U.K. electric distribution utilities;
--The salutary financial affects of MEHC's affiliation with Berkshire Hathaway Inc. (BRK; IDR 'AA-' with a Stable Outlook by Fitch);
--Regulatory outcomes in pending and future rate case proceedings;
--Execution of MEHC's capital expenditure program.

Stable Rating Outlook
MEHC's ratings and Stable Outlook reflect diversified cash flows from its six relatively low-risk utilities and natural gas pipelines located in the U.S. and U.K., Fitch's expectation of improving credit metrics through 2015 and strong liquidity position. The ratings and Stable Outlook also consider MEHC's large, but manageable, planned 2011 - 2015 capex program.

Fitch estimates that MEHC's EBITDA coverage ratio will improve from 3.1 times (x) in 2010 to 3.4x in 2011 and better than 4x in 2015. Similarly, debt-to-EBITDA is projected by Fitch to strengthen from 5.3x in 2010 to 5.0x in 2011 and 4x in 2015. These credit metrics are somewhat weak for MEHC's rating category, in Fitch's view. However, Fitch believes the company's credit profile is bolstered by its affiliation with BRK and its commitment to strategic investment in the regulated energy sector. Failure to meet Fitch's credit metrics could result in future adverse rating actions.

MEHC's ratings also consider the positive credit implications of its status as a subsidiary of BRK, including BRK's strategic commitment to use MEHC to expand its investments in power and gas assets. Fitch's projected credit metrics in concert with the qualitative benefits associated with BRK support MEHC's 'BBB+' ratings and Stable Outlook.

BRK has opportunistically provided capital and financing to MEHC to pursue acquisitions, including the March 2006 PacifiCorp (PPW) acquisition and Constellation Energy Group (CEG) in 2008. MEHC's CEG acquisition bid was ultimately rejected. However, MEHC as a result of the termination of the transaction received cash proceeds of approximately $725 million net.

MEHC's affiliation with BRK confers two unique, specific financial advantages to the intermediate holding company and its subsidiaries. These two factors mitigate concern regarding MEHC's moderately high consolidated financial leverage relative to Fitch's 'BBB+' guidelines and large consolidated capital expenditure program.

Dividend Flexibility
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 to upstream dividends.

ECA
Second, MEHC and BRK have extended the equity commitment agreement (ECA) through February 2014. At the same time, the amount of capital provided to MEHC under the ECA was lowered to $2 billion from $3.5 billion. The reduction reflects reduced equity capital requirements at PPW and lower anticipated MEHC parent level debt maturities. The ECA was originally put in place in March 2006.

ECA equity contributions may only 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 was set to expire Feb. 28, 2011.

MEHC Overview

MEHC's principal operations include two domestic utilities, two domestic natural gas pipelines, and two electric distribution companies in the UK.

MEHC's operating utility and natural gas subsidiaries in the U.S. and U.K. benefit from solid stand-alone credit profiles, relatively stable earnings and cash flow characteristics and generally stable regulatory jurisdictions.

The ratings assume that future regulatory rulings will continue to support reasonable earned returns and credit metrics consistent with Fitch's projections. In Fitch's view, timely recovery of PPW's large capital expenditure program is crucial to the future creditworthiness of PPW and MEHC.

In the intermediate-to-longer-term, a reasonable outcome in MidAmerican Energy Co.'s (MEC) next Iowa rate case filing to address post-settlement rates in 2014 will be a key factor driving MEHC's future creditworthiness.

Fitch notes that regulatory decisions since MEHC has owned PPW have been generally reasonable and balanced and that the regulatory environment in Iowa has been balanced historically.

Liquidity
MEHC's liquidity position was strong as of June 30, 2011, with $1.0 billion of cash and cash equivalents on its consolidated balance sheet and $2.4 billion of available borrowing capacity under its $2.9 billion of consolidated revolving credit agreements.

In addition, the company's ECA with BRK, as described above, provides up to $2 billion through February 2014.
During 2011 - 2015, $4.6 billion (23%) of MEHC's $19.9 billion of outstanding long-term debt is scheduled to mature.

PPW
Fitch's affirmation of PPW's 'BBB' IDR considers the company's solid financial position, competitive resource base, and relatively balanced, diversified regulatory environment.
The current ratings and Stable Outlook assume PPW continues to benefit from parent company support and reasonable outcomes in pending and future rate proceedings to recover anticipated, significant capital investment.

Rating concerns for PPW investors include execution and recovery of its capex program. Emergence of more stringent environmental rules and regulations are also a concern.

MEC
The affirmation of MidAmerican Energy Co. (MEC) 'A-' and MidAmerican Funding, LLC's (MF) 'BBB+' IDRs reflect MEC's relatively low business risk profile and solid credit metrics. The ratings also consider the utilities supportive Iowa regulatory environment.

Commodity price risk at MEC is mitigated by the utility's long generating capacity position. However, the combined effects of cyclical downturn and a lackluster recovery and low wholesale power prices and off-system sales pressured MEC's operating results since 2008.

A final order that results in lower-than-expected credit metrics in its anticipated general rate case effective 2014 could result in future, adverse rating actions.

MF
MF is an intermediate holding company that is a wholly owned subsidiary of MEHC and the indirect parent of MEC. MF's ratings are based on the credit quality of MEC, which is the primary source of cash flow to service its debt obligations and also benefits from the support of its ultimate corporate parent, BRK.

NNG
The ratings affirmation for Northern Natural Gas Company (NNG) reflects the pipeline's strong standalone credit profile, solid credit protection measures, favorable operating characteristics and low regulatory risk.

NNG's competitive position is strong with access to five major supply basins and a customer base primarily comprised of local distribution companies. Competitive pressures are mitigated by the pipeline's stable customer base and geographic location, in Fitch's opinion.

KRF
The ratings affirmation for Kern River Funding Corporation (KRF) reflects the pipeline's relatively predictable earnings and

cash flow metrics, reasonable regulatory oversight, strong credit metrics and manageable capital expenditure plans. KRF is a financing vehicle for the long-term debt obligations of Kern River Gas Transmission Co. (KRGT).

KRFC's debt is unconditionally guaranteed by KRGT, which owns and operates a 1,680 mile interstate pipeline delivering primarily Rocky Mountain Gas from Wyoming to markets in California, Utah, and Nevada.

KRF's 'A-' rating reflects KRF/KRGT's standalone credit quality as the result of specific legal and structural separations from its parent, MEHC. KRF/KRGT's credit quality benefits from a portfolio of binding long-term transportation contracts, a competitive market position, access to relatively low cost natural gas supply and a solid operating track record.

Fitch has affirmed the following ratings:

MidAmerican Energy Holdings Company (MEHC)
--Issuer Default Rating (IDR) at 'BBB+';
--Senior Unsecured Debt at 'BBB+';
--Trust Preferred Stock at 'BBB-';
--Short-term IDR at 'F2'.

PacifiCorp (PPW)
--IDR at 'BBB';
--Senior Secured Debt at 'A-';
--Senior Unsecured Debt at 'BBB+';
--Preferred Stock at 'BBB-';
--Short-term IDR at 'F2';
--Commercial Paper at 'F2'.

MidAmerican Funding, LLC (MF)
--IDR at 'BBB+';
--Senior Secured Debt at 'A-'.

MidAmerican Energy Company (MEC)
--IDR at 'A-';
--Senior Unsecured Debt at 'A';
--Preferred Stock at 'BBB+';
--Short-term IDR at 'F1';
--Commercial Paper at 'F1'.

Northern Natural Gas Company (NNG)
--IDR at 'A';
--Senior Unsecured Debt at 'A'.

Kern River Funding Corporation (KRFC)
--IDR at 'A-';
--Senior Unsecured Debt at 'A-'.

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Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Aug. 16, 2010);
--'Recovery Ratings and Notching Criteria for Utilities' (May 12, 2011);
--'Rating North American Utilities, Power, Gas and Water Companies' (May 16, 2011).

Applicable Criteria and Related Research:
Corporate Rating Methodology
Recovery Ratings and Notching Criteria for Utilities
Rating North American Utilities, Power, Gas, and Water Companies

STANDARD & POOR'S

Global Credit Portal®
RatingsDirect®

October 3, 2011

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 recent approval of a fuel and purchased power adjuster in Utah is a positive development because the state is the company's largest market and will limit the amount that the utility will have to absorb if purchased fuel and power costs exceed levels authorized in electric rates;
- Dependence on purchased power has decreased; and
- A settlement reached in February 2010 regarding the contentious Klamath hydro relicensing case protects the company from any financial consequences if the project is decommissioned, which will not occur before 2020.

Weaknesses:

- Despite the company's practice of filing nearly annual rate cases, regulatory lag continues to allow only modest improvement in the company's financial profile: Its return on equity remains under authorized levels and cash flow metrics remain just adequate to support the rating, although adjusted leverage has improved since MidAmerican Energy Holdings Co. acquired the utility in 2006;
- Regulators will need to consistently support retail rate increases to recover PacifiCorp's large capital investment program amid sluggish economic indicators; and
- Retail electric sales growth has stalled in the portions of the Pacific Northwest that PacifiCorp serves, which, if it becomes a medium- to long-term trend, could lower profitability and put additional pressure on retail electric rates.

Rationale

The 'A-' corporate credit rating (CCR) on PacifiCorp reflects what Standard & Poor's Ratings Services views as a significant financial profile and is supported by PacifiCorp's modest use of leverage to finance a large capital program and parent MidAmerican Energy Holdings Co.'s (MEHC; BBB+/Stable) willingness to deploy equity into PacifiCorp as needed to support the company's capital structure as it expands its rate base. Since acquiring the company in 2006, MEHC has provided $1.06 billion in equity support for the utility's capital needs.

PacifiCorp's excellent business profile benefits from the geographical, market, and regulatory diversity provided by its six-state service territory. PacifiCorp provides power to retail customers under the name Rocky Mountain Power in Utah, Wyoming, and Idaho, and as Pacific Power in Oregon, Washington, and California. Utah and Oregon are the most important markets for the company, providing around 42% and 24% of annual retail sales, respectively, as of year-end 2010.

Since being acquired in 2006 by MEHC, the electric utility has made modest strides in improving key business and regulatory aspects of the utility that serves more than 1.7 million retail electric customers. Despite sluggish economic recovery in the company's Pacific Northwest territory, its western states, especially Utah, continue to exhibit some growth. PacifiCorp has been able to eke out rate increases that are in line with our expectations, and the utility was recently granted a fuel and purchased power adjuster in Utah. Despite its weak design (the utility may collect only 70% of any difference between actual and budgeted costs) and its pilot status (it will sunset in four years), we view the Utah adjuster as a step forward for credit quality because it mitigates a key business risk for electric utilities, the vast majority of which were afforded such mechanisms beginning shortly after the western energy crisis in 2001 and 2002. About 90% of PacifiCorp's retail electric sales are now covered by some type of fuel adjusters. (None exist in Washington state.) The company is building an additional baseload natural-gas–fired plant and in 2010 relied on natural gas for 12% of energy supplies.

The company's deferred tax balances are lifting cash flows due to an extension of bonus depreciation, and credit metrics this year are likely to exceed our expectations for this reason. For the 12 months ended June 30, adjusted funds from operations (FFO) to total debt and FFO interest coverage were 24.3% and 5.4x, respectively. Beneath this benefit, operating income and EBITDA in the first half of 2011 are approximately flat relative to the prior-year period, but a $117 million (7%) electric rate increase approved in Utah and a $62 million (11%) increase in Wyoming, both effective at the end of September, should nudge earnings metrics up in the fourth quarter. Adjusted debt to total capitalization was 52.4% as of June 30, an increase from 50.1% at year-end 2010. The leverage uptick is due to a $400 million May debt issuance and a common stock distribution of $550 million to its parent, which reduced shareholder equity.

The cash credit metrics we expect the company to achieve after this year are just adequate, in our view, to support the ratings, providing little cushion for the company to deviate. For 2012 we project adjusted FFO to total debt in the range of 20%, FFO interest coverage of 4.6x, and debt to total capitalization of around 51%. These expectations reflect our view that the company's earned return on equity (ROE) will be in line with past performance and that electric sales will grow 1.5% on average.

A key ongoing challenge for PacifiCorp is whether it will be able to achieve rate relief at levels necessary to sustain the company's capital investment program. The program has been at high levels throughout the recession and will remain so in the next few years, despite the dimming prospects for economic recovery. MEHC has been consistent in its investment thesis for the company, seeking to deploy capital in the electric utility in exchange for an opportunity to earn its authorized return, which varies by state but is in the area of 10%. Since acquisition, MEHC has spent an average of $1.7 billion per year on capital investment, providing equity investments in PacifiCorp totaling more than $1 billion to maintain a balanced capital structure. We expect PacifiCorp to spend $1.6 billion this year (it had spent $712 million as of June 30), and it is budgeting $1.8 billion for 2012 and $1.7 billion in 2013, according to its 10-K filing. This level of spending will continue to require regular retail electric rate increases in all of PacifiCorp's markets over the next three years. This begs the issue of whether rate case fatigue will set in, creating regulator or ratepayer resistance to further increases. Through the first half of this year, retail electric sales were up 2%, but this is largely a result of Rocky Mountain Power, which accounts for about two-thirds of PacifiCorp's total retail sales and includes Salt Lake City, Utah. Pacific Power, which accounts for the balance of utility electric sales, has seen load growth stagnate. Further weakening of the economy, which is increasingly appearing to be likely, could increase revenue requirements as the company seeks to spread fixed costs over smaller sales volumes.

PacifiCorp's authorized ROE varies by state but is around 10%. (In its most recent rate case in Utah, its authorized ROE was lowered from 10.6% to 10.0%). Based on our calculations, PacifiCorp's actual ROE has been in the range of 8.1% to 8.5% since 2007. Achieving stronger ROE may prove difficult given the level of capital the company is deploying, because regulatory lag is inherent given its high spending.

Among the larger projects PacifiCorp is pursuing is the buildout of Lakeside 2, a 647-megawatt combined-cycle gas plant in Utah expected in service in 2014. Coal plant environmental upgrades are also planned, as is a major transmission investment, including the multi-segment transmission line, the Energy Gateway Transmission project (EGTE). The EGTE is a multiyear, $6 billion-plus transmission project that will add approximately 2,000 miles of new transmission line across the West. The project is being completed in phases, with the last phase expected to go into service in 2019. Construction of the first, 135-mile segment, running from the Populus substation in southern Idaho to the Terminal substation near Salt Lake City, was completed December 2010 at a cost of $830 million.

Some 89% of the total costs are being recovered in current rates in the various states. But in its December 2010 rate case, the Idaho Public Utilities Commission (IPUC) disallowed recovery in current rates of 27% of its 6% share of the investment (or about 1.62% or $13 million). In December 2010 the IPUC ordered the company to carry the asset as plant held for future use. The company has filed an appeal of the IPUC's order with the Idaho Supreme Court. The IPUC's ruling is an unfavorable precedent. Given that no transmission projects have received explicit pre-approval in any of the jurisdictions PacifiCorp serves, the onus is on the company to demonstrate the value of its transmission investment to regulators, largely on an ex post basis. The next segment to be completed is Mona-to-Oquirrh, a 100-mile segment within Utah expected in service summer 2013 at a cost of $440 million. Construction is underway.

PacifiCorp is wholly owned by MEHC and has put in ring-fencing provisions that allow us to rate PacifiCorp above the 'BBB+' CCR on MEHC, if its stand-alone credit metrics and business profile risks warrant. In turn, MEHC is privately held and majority owned by Berkshire Hathaway (AA+/Negative/A-1+). PacifiCorp benefits from regulatory insulation from its parent. Our criteria provide that the PacifiCorp CCR can be no more than three notches above the MEHC consolidated credit rating. The parent and subsidiary are currently rated within one notch of one another.

Liquidity

On a stand-alone basis (i.e., unenhanced by the existing $2 billion contingent equity agreement available to MEHC to support any of its regulated subsidiaries, including PacifiCorp) we view PacifiCorp's liquidity as adequate 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, including capital expenditures, debt maturities, and common dividends, by more than 1.2x. Under our criteria, we exclude as sources of liquidity any facilities expiring within one year of the liquidity assessment date.

The utility maintains unsecured credit facilities that totaled $1.395 billion as of June 30. Of this total, $304 million of liquidity is reserved for letters of credit to support tax exempt bond obligations, reducing available borrowings to $1.091 billion. (In July 2011, as scheduled, $40 million in bank commitments under one of its facilities expires; current credit lines total $1.355 billion.) There are no rating triggers on the credit lines. One facility, for $635 million, expires in October 2012. (We have included this facility as source of liquidity based on this assessment completed in late September.) The other credit facility is sized at $720 million and will decline to $630 million in July 2012 and expire in 2013. Regulatory restrictions limit PacifiCorp's short-term debt to $1.5 billion.

PacifiCorp's liquidity is indirectly supported by Berkshire Hathaway, which has in place through February 2014 a $2 billion equity commitment agreement between itself and MEHC under which MEHC can unilaterally call upon Berkshire Hathaway to support either its parent debt repayment or the capital needs of its regulated subsidiaries, including MidAmerican Energy Co. Nevertheless, we assess PacifiCorp's liquidity on a stand-alone basis because the utility has no authority to cause MEHC to make an equity contribution from 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, MEHC would be expected to do so only if doing so were in the parent's best economic interests. Because Berkshire has up to 180 days to fund an equity request, we also do not count on the agreement to provide PacifiCorp with immediate cash. For these reasons, we consider the equity agreement a qualitative enhancement to liquidity but continue to calculate the utility's liquidity metrics on a stand-alone basis.

Recovery analysis

We rate PacifiCorp's first mortgage bonds (FMB) 'A', a notch higher than the 'A-' issuer credit rating, and have assigned them a recovery rating of '1+'. We assign recovery ratings to FMBs issued by investment-grade U.S. utilities, and this can result in issue ratings that are higher than the utility CCR depending on the CCR category and the extent of the collateral coverage. We base our investment-grade FMB recovery methodology on the ample historical record of nearly 100% recovery for secured-bond holders in utility bankruptcies and on our view that the factors that supported those recoveries (the limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization, given the essential service provided and the high replacement cost) will persist. Under our notching criteria, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, and the regulatory limitations on bond issuance. FMB ratings can exceed a utility CCR by as many as one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories. (See "Changes To Collateral Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds," published Sept. 6, 2007, on RatingsDirect on the Global Credit Portal.)

PacifiCorp's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral, in combination with regulatory covenants that restrict borrowing that were entered into as a condition of MEHC's acquisition of PacifiCorp in 2006, provides coverage of more than 1.5x, supporting a recovery rating of '1+' and an issue rating one notch above the CCR.

Outlook

The stable outlook incorporates our anticipation that PacifiCorp will be able to perform to forecast, achieving adjusted FFO to debt in the area of 20%, FFO interest coverage of at least 4.5x and adjusted debt to total capitalization of around 50%. We view these cash flow levels as merely adequate to maintain the ratings, and could lower the ratings if FFO to total debt drops to less than 18% on a sustained basis, with FFO interest coverage or adjusted leverage creeping above 52% over our outlook horizon. We do not expect upward ratings momentum for the utility, given its heavy investment program.

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
	--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/capital expenditure (%)	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

Table 2.

PacifiCorp -- Financial Summary* (cont.)					
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)
Net cash flow/capital expenditure (%)	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 3, 2011)*

PacifiCorp	
Corporate Credit Rating	A-/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (2 Issues)	BBB
Senior Secured (54 Issues)	A
Senior Unsecured (2 Issues)	A-
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
Business Risk Profile	Excellent
Financial Risk Profile	Significant
Related Entities	
CE Electric U.K. Funding Co.	
Issuer Credit Rating	BBB+/Stable/A-2
Senior Unsecured (1 Issue)	BBB+
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
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BBB+
Senior Unsecured (8 Issues)	A-
Senior Unsecured (2 Issues)	A-/A-2

Ratings Detail (As Of October 3, 2011)*(cont.)	
MidAmerican Energy Holdings Co.	
Issuer Credit Rating	BBB+/Stable/--
Preferred Stock (2 Issues)	BBB-
Senior Unsecured (8 Issues)	BBB+
MidAmerican Funding LLC	
Senior Secured (1 Issue)	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-
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 (1 Issue)	BBB-/Stable
Yorkshire Electricity Distribution PLC	
Issuer Credit Rating	A-/Stable/A-2
Senior Unsecured (2 Issues)	A-
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 ANALYSIS

MidAmerican Energy Holdings Co.

Des Moines, Iowa, United States

Table of Contents:

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» MidAmerican Energy Holdings Company (MEHC) owns and operates a well diversified portfolio of regulated, energy related businesses, a credit positive. The regulated or contracted businesses provide stability and lower MEHC's business risk profile. These businesses include:

- U.S. state-regulated vertically integrated utilities,
- U.S. FERC-regulated interstate natural gas pipelines,
- U.K. federally regulated electric distribution network operators, and
- Unregulated contracted power generation in the U.S. and Asia.

» Non-regulated operations include HomeServices, a real estate brokerage business which is higher risk, non-core, and thus a credit-negative for MEHC. Nevertheless, the business is minor, self-financing, and not a drag on MEHC's credit profile despite the continuing difficulties in the housing market.

» Certain of consolidated cash flow metrics are weak for the rating; however, we premise MEHC's Baa1 rating on expected steady improvement through organic means, as demonstrated for example by cash flow pre-working capital (CFO pre-w/c) / debt ratios rising from their current levels in the mid-teens to the high teens. Our expectations are based on sustainable improvement and exclude the temporary positive impacts of bonus depreciation.

» MEHC and its subsidiaries compare favorably to their peers, much due in part to the benefits of being a Berkshire Hathaway vehicle, including having a reliable source of alternative liquidity and equity and a lack of a regular dividend requirement. This financial flexibility and long-term horizon have promoted reinvestment and resulted in well-run operations. Historically, these benefits have provided some uplift to the rating.

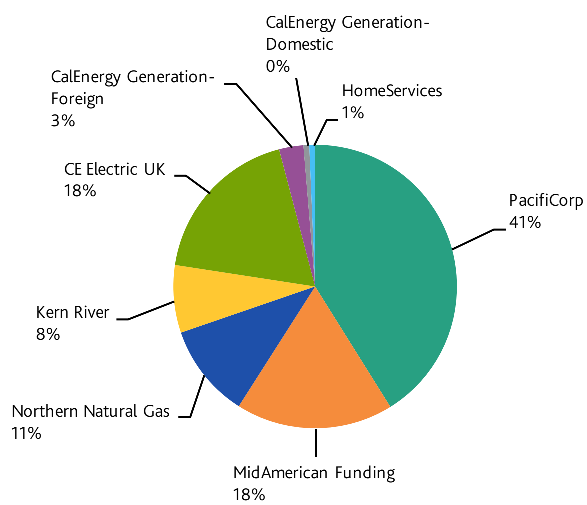
This Credit Analysis provides an in-depth discussion of credit rating(s) for MidAmerican Energy Holdings Co. and should be read in conjunction with Moody's most recent Credit Opinion and rating information available on Moody's website.

Business Profile

MidAmerican Energy Holdings Company (MEHC, Baa1 sr. uns.) is a sizable electric utility holding company with a diverse mix of mostly regulated electric and gas companies. The majority of its assets are located in the U.S., but the company also has a significant presence in the U.K. and a project in the Philippines. Unlike most other U.S. investor-owned utilities, MEHC has been a private company since 2000 when Berkshire Hathaway (BRK, Aa2 sr. uns.) and senior management took control, and this has differentiated its financial strategy (see "Management Strategy").

FIGURE 1

Regulated Businesses Exceeding 96% Indicate Stability
2010 Operating Income by Platform



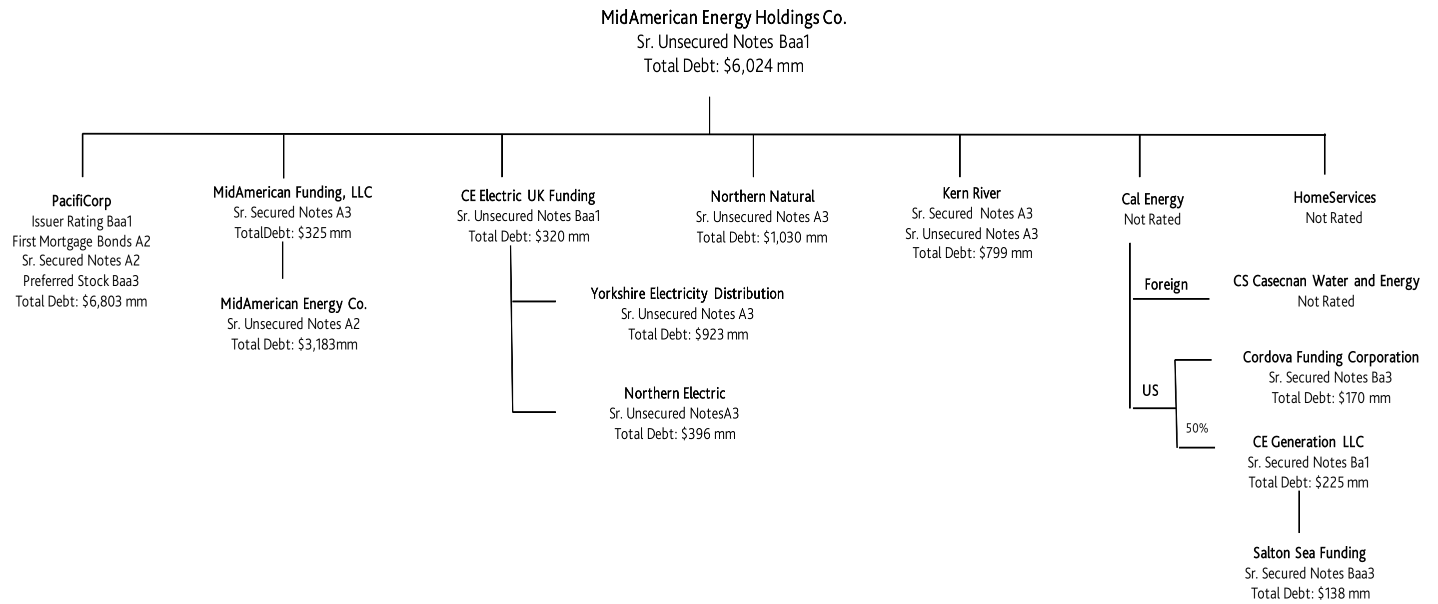
Source: Moody's FM

Through its history, MEHC has grown from major acquisitions, which have become segment "platforms." Beginning as CalEnergy (not rated[1]), an independent power producer, the company acquired a regulated electric distribution network operator (DNO) Northern Electric (A3 sr. uns., now a subsidiary of CE Electric UK, rated Baa1) in 1996. In 1998, MEHC acquired Iowa electric utility MidAmerican Energy Company (MEC, A2 sr. uns.) as well as two Midwestern real estate brokerage firms which began the HomeServices residential real estate brokerage platform. These acquisitions were followed by another UK DNO Yorkshire Electric (A3 sr. uns. and also a subsidiary of CE Electric UK) in 2001 and two gas pipelines Northern Natural (A2 sr. uns.) and Kern River (A3) in 2002, In 2006, it made its largest acquisition of PacifiCorp (Baa1), an electric utility system in western U.S. In addition to these platforms, some meaningful investments exist, such as Electric Transmission Texas (ETT), a transmission development joint venture with AEP, an Alaska gas storage joint venture with SEMCO Energy; and a minority interest in BYD, a Chinese rechargeable battery and electric carmaker.

1 Moody's however does rate three of CalEnergy's project vehicles: Cordova Energy Funding (Ba3 sr. sec.), CE Generation (Ba1 sr. sec.), Salton Sea Funding (Baa3 sr. sec.).

FIGURE 2

Organization Chart



Source: Moody's

Opportunities/Strengths:

» Well diversified portfolio of stable regulated assets

» Comfortably positioned to meet environmental mandates while capital expenditure remains high

» Good track record as operator of regulated assets

» Benefits from BRK ownership

Challenges/Weaknesses:

» Significant parent-level debt

» Consolidated metrics weak for rating

» Minor but higher risk unregulated businesses

» Event risk

FIGURE 3

MidAmerican Energy Holdings Summary Financials

As of December 31, 2010

	MidAmerican Energy Holdings	PacifiCorp	MidAmerican Energy Company	Northern Natural Gas	Kern River	CK Electric UK Funding	CE* Generation	Salton Sea*	Cordova Funding
(in $ millions)	Baa1/Stable	Baa1/Stable	A2/Stable	A2/Stable	A3/Stable	Baa1/Stable	Ba1/Stable	Baa3/Stable	Ba3/Stable
Revenue	$ 11,127	$ 4,432	$ 3,810	$ 624	$ 357	$ 936	$ 261	$ 225	$ 32
EBITDA	4,040	1,700	858	349	217	725	122	113	28
Net Property Plant & Equipment	32,427	16,437	7,045	2,193	1,717	5,865	672	542	199
Total Assets	46,196	20,191	9,136	2,786	1,936	6,495	1,109	747	242
Total Debt	20,829	6,803	3,183	1,030	799	2,317	205	138	170
Total Equity	13,232	7,278	2,958	1,214	704	1,636	524	445	71
Cash From Operations	2,983	1,480	852	305	184	356	87	105	13
Capital Expenditures	(2,652)	(1,572)	(351)	(139)	(162)	(347)	(38)	(38)	0
Dividends	-	-	(375)	-	(15)	-	(18)	(49)	-

Source: Moody's Financial Metrics

**Amounts shown are for 100% of CE Generation and its subsidiary Salton Sea. MEHC owns 50% of CE Generation.*

Top Credit Topics

Credit-Positive Financial Policy Mitigates Weak Metrics

MEHC benefits from being owned by the strong, highly liquid BRK, which typically buys and holds its platform acquisitions as compared to a typical private equity firm. This long-term investment approach has helped MEHC accrue a good track record as operator. For instance, MEHC has never paid a common dividend to BRK, and MEHC's utility subsidiaries usually retain their earnings to reinvest in the business and to de-lever[2]. BRK's $2 billion equity commitment to MEHC also provides an alternative "back door" source of liquidity. This financial strategy has allowed a slow organic improvement in MEHC's consolidated credit profile, although credit metrics are still weak for its rating. This lack of a regular dividend requirement is more credit-friendly than the typical utility corporate finance model, which entails high dividend payouts to public shareholders on a regular basis.

Longer term, the MEHC bondholder will be subject to event risk. As indicated by its history, MEHC is open to making multi-billion dollar acquisitions that could be transforming. Much of the acquisition debt financing will likely be done at the MEHC parent level. The company has been disciplined in what it would pay, eschewing asset auctions which could heat up valuations. On certain instances, it has profited as a "white knight" for companies in distress (e.g., acquisition of two pipelines in 2002, bid for Constellation Energy in 2008). The vast liquid resources of BRK allows MEHC to strike when such opportunities arise. BRK is likely to provide some equity financing, which could

2 In part due to the additional cash flow from bonus depreciation in 2011, maturing debt has been refinanced with less new debt at PacifiCorp and Northern Natural. MEHC parent company repaid its trust preferreds with internal cash flow.

include some form of hybrids, such as a trust preferred stock which it has used in the past. Such securities offer attractive returns to BRK's insurance units.

Although we expect large investments at MEHC to be similar to what it already owns (mostly regulated energy assets), BRK has occasionally used MEHC as a vehicle for investments not related to its core energy business, such as HomeServices and BYD which have higher risk. For example, MEHC's $230 million original equity investment in BYD made in 2008 peaked in value in 2009 but has given up those gains this year[3].

Ratings Notched to Reflect Standalone Credit Qualities

Although certain of MEHC's cash flow ratios map to Baa2 levels, the company is rated a notch higher reflecting some of the above-mentioned benefits from geographic and regulatory diversity as well as BRK's ownership. MEHC and its subsidiaries are rated "bottoms up" on a legal entity basis to reflect their standalone credit profiles rather than as a function of BRK's Aa2 rating. Their credit profiles are separate and distinct by virtue of their being non-guaranteed self-financing businesses with their own risks and default probabilities. PacifiCorp, MEC, the two pipelines, and CE Electric UK all exist within legal ringfencing corporate structures to further delineate their individual credit profiles. MEHC does not have a money pool which could more closely align its affiliates' ratings.

This corporate structure thus includes rated entities with ratings ranging from single A to Ba. MEHC's Baa1 rating for holding company debt reflects not only a consolidated view of its assets, but also the structural subordination of the holding company debt to several of its operating companies being rated single A. The lower parent rating indicates a sizable proportion of parent debt, which at roughly 30% of consolidated debt, is relatively high compared to many other utility holding companies. A relatively minor amount of non-recourse debt exists off-balance sheet[4] at some of its equity investments, such as CE Gen and ETT.

Capital Expenditures Remain High But Well Positioned to Meet Environmental Rules

As with the rest of the electric industry, MEHC is undergoing an extended capital spending cycle. During this period, it plans to apply a boost in cash flow from bonus depreciation (estimated to be $840 million in 2011 and $390 million in 2012) to accelerate spending. The biggest projects are in electric transmission and wind projects, as parts of a decade-long carbon risk reduction strategy. Because it had a head start in investing for anticipated environmental mandates, the company does not expect a big increase in capital expenditures to catch up:

» **Transmission**: PacifiCorp's $6 billion Energy Gateway project includes segments which are completed and in-service as well as segments expected to be completed through 2019. Electric Transmission Texas (a 50%/50% joint venture with AEP) has ongoing transmission investments in ERCOT estimated at $2 billion which include projects scheduled to be on-line in 2013.

» **Wind**: With 1,284 megawatts (MW) of owned capacity, MEC is the largest utility owner of wind-powered generation in the U.S. Its 593 MW $913 million Wind VII will be completed by year-end 2011.

» **Generation:** PacifiCorp is constructing Lakeside 2, a 637 MW $756 million natural gas combined cycle power plant to be in service in 2014.

3 Stock price graph for BYD Co Ltd. 12/31/08 – 10/7/11 via reuters.com, accessed 10/7/11.

4 MEHC's 50% proportional share of joint venture debt equating to about 2% of MEHC's consolidated debt.

- **Pipelines:** Sizable projects are winding down. Kern River's $373 million Apex expansion is due to be in service in the fourth quarter 2011. Northern Natural's $350 million Northern Lights expansion concluded in November 2010.
- **CE Electric UK** : Investment expected to be 40% higher in Distribution Price Control Review 5 (DPCR5, the five year period from April 2010 to March 2015) compared to DPCR4 (2005 to 2010) for asset replacement, growth, and reliability.

Rate Stability in Most Jurisdictions Except at PacifiCorp

Regulatory risk is manageable because MEHC's operations are well diversified among many jurisdictions. In a number of them, MEHC enjoys rate stability under a multi-year rate plan, which does not expire for a few years. It faces no make-or-break rate proceedings in near term:

- **PacifiCorp** continues to under-earn its allowed returns (return-on-equity on a GAAP basis at 8% in 2010 compared to 7% in 2006 when MEHC acquired it) although a series of rate cases have provided a significant amount of rate relief. Given the ongoing capital spending forecast to keep up with a disperse, growing service territory, this regulatory lag is likely to persist.

  We note that PacifiCorp operates in regulatory environments that have been historically less amenable than others to rate designs that promote more timely and certain cost recovery. In recent years, however, we have seen some improvements in that regard. For example, fuel adjustment clauses are available now in all its jurisdictions except Washington, but the negative effect of this is minor, since this state accounts for only 8% of sales to retail customers. The company recently concluded a rate case in Utah, its largest jurisdiction. We expect PacifiCorp will continue on a treadmill of filing rate cases in its various jurisdictions every year or so.
- **MEC** enjoys a favorable regulatory environment, where it is allowed and has earned returns-on-equity above 10%, which is average now for the US utility sector. The company is under a rate plan which expires in 2013.
- **CE Electric UK** is operating under a five-year price control period which is in place until 2015 (DPCR5).
- At **Northern Natural**, no rate cases are expected or required following the FERC Section 5 rate investigation in 2010.
- **Kern River** recently finalized a rate order with the FERC for Period Two rates that begin after the expiration of existing Period One contracts. Period One contracts expire during the period from September 2011 through April 2018. Period Two contracts are for a term of 10 or 15 years.

Peer Comparisons

MEHC's Metric Lag Utility Holding Company Peers

MEHC compares best to similarly rated electric holding companies that are predominantly rate-regulated and operate in multiple jurisdictions, mostly in the Midwest where the regulatory frameworks are similar. Such companies would include Xcel Energy, Duke, and AEP. Prospectively, PPL will be more comparable after it increased its regulated businesses with its recent acquisitions of Kentucky utilities and UK DNOs.

FIGURE 4

Utility Holdco Peers

Revenue

Company Name	Rating	2006	2007	2008	2009	2010
MidAmerican Energy Holdings	Baa1	$ 10,301,000	$ 12,376,000	$ 12,668,000	$ 11,204,000	$ 11,127,000
Xcel Energy Inc.	Baa1	$ 9,840,304	$ 10,034,170	$ 11,203,156	$ 9,644,303	$ 10,310,947
Duke Energy	Baa2	$ 10,607,000	$ 12,720,000	$ 13,207,000	$ 12,731,000	$ 14,272,000
American Electric Power Company, Inc.	Baa2	$ 12,622,000	$ 13,380,000	$ 14,440,000	$ 13,489,000	$ 14,427,000
PPL Corporation	Baa3	$ 6,131,000	$ 6,498,000	$ 8,007,000	$ 7,449,000	$ 8,521,000

Total Debt

Company Name	Rating	2006	2007	2008	2009	2010
MidAmerican Energy Holdings	Baa1	$ 19,406,000	$ 20,935,000	$ 21,599,000	$ 21,152,000	$ 20,829,000
Xcel Energy Inc.	Baa1	$ 7,757,324	$ 8,409,796	$ 9,297,251	$ 9,375,177	$ 10,367,423
Duke Energy	Baa2	$ 21,870,000	$ 12,932,000	$ 17,187,000	$ 18,539,000	$ 19,323,000
American Electric Power Company, Inc.	Baa2	$ 13,716,000	$ 15,654,000	$ 17,959,000	$ 17,624,000	$ 18,157,000
PPL Corporation	Baa3	$ 8,971,730	$ 8,197,071	$ 9,942,916	$ 9,601,430	$ 15,021,818

(CFO Pre-W/C) / Debt

Company Name	Rating	2006	2007	2008	2009	2010
MidAmerican Energy Holdings	Baa1	11.5%	12.0%	12.4%	16.8%	16.1%
Xcel Energy Inc.	Baa1	19.2%	21.3%	18.5%	19.9%	20.6%
Duke Energy	Baa2	18.9%	37.3%	23.2%	22.5%	20.9%
American Electric Power Company, Inc.	Baa2	16.9%	14.5%	13.5%	17.8%	17.1%
PPL Corporation	Baa3	18.9%	21.2%	16.4%	18.8%	18.6%

(CFO Pre-W/C + Interest) / Interest Expense

Company Name	Rating	2006	2007	2008	2009	2010
MidAmerican Energy Holdings	Baa1	2.9x	2.9x	2.9x	3.7x	3.7x
Xcel Energy Inc.	Baa1	4.0x	4.3x	4.0x	4.2x	4.8x
Duke Energy	Baa2	7.0x	6.7x	5.2x	5.2x	4.8x
American Electric Power Company, Inc.	Baa2	4.0x	3.5x	3.4x	4.0x	3.9x
PPL Corporation	Baa3	4.4x	4.0x	3.9x	4.5x	5.3x

Source: Moody's FM

Compared to these peers, MEHC has distinctly weaker credit metrics although they have improved steadily as expected in its current ratings. MEHC's ratings are premised on this improvement continuing, so that its credit metrics are sustained at no lower than recent levels. For example, cash flow before working capital (CFO Pre-W/C) / Debt is currently about 16%, which maps to the low end of the Baa2 range in Moody's rating grid, but the rating anticipates the ratio gradually rising to about 19% without bonus depreciation, which is on the high end of the Baa2 range and more in line with its peers.

Utility Operating Companies Comfortably Positioned in Rating Category

MEC and PacifiCorp also compare best to similarly rated vertically integrated utilities that operate in the same region under similar regulatory frameworks. MEC's peers include its smaller Iowa neighbor Interstate Power and Light, and to its north, Northern States Power (Minnesota), located in Minnesota, where Moody's considers regulatory environment to be above-average as in Iowa. As for PacifiCorp, operations in six states (in order by sales volumes Utah, Oregon, Wyoming, Washington, Idaho, and California) makes it comparable to other multi-state electric systems in the Rockies and the Pacific Northwest, such as Idaho Power (operations in Idaho and Oregon) and Avista (Washington, Idaho, Oregon).

FIGURE 5

Utility Opco Peers

Revenue

Company Name	Rating	2006	2007	2008	2009	2010
MidAmerican Energy Company	A2	$ 3,447,931	$ 4,258,000	$ 4,700,000	$ 3,693,000	$ 3,810,000
Interstate Power and Light Company	A3	$ 1,754,800	$ 1,695,900	$ 1,758,000	$ 1,708,000	$ 1,795,800
Northern States Power (Minnesota)	A3	$ 4,027,615	$ 4,272,214	$ 4,493,636	$ 4,066,689	$ 4,234,316
PacifiCorp	Baa1	$ 4,154,100	$ 4,258,000	$ 4,498,000	$ 4,457,000	$ 4,432,000
Idaho Power Company	Baa1	$ 920,473	$ 875,401	$ 956,076	$ 1,045,996	$ 1,033,052
Avista Corp.	Baa2	$ 1,506,311	$ 1,417,757	$ 1,676,763	$ 1,512,565	$ 1,558,740

Total Debt

Company Name	Rating	2006	2007	2008	2009	2010
MidAmerican Energy Company	A2	$ 1,998,201	$ 2,750,000	$ 3,669,033	$ 3,181,000	$ 3,183,000
Interstate Power and Light Company	A3	$ 1,106,500	$ 938,508	$ 1,202,229	$ 1,454,900	$ 1,599,900
Northern States Power (Minnesota)	A3	$ 2,388,228	$ 2,899,709	$ 3,091,249	$ 3,013,178	$ 3,337,912
PacifiCorp	Baa1	$ 5,132,300	$ 5,459,000	$ 6,127,000	$ 6,868,000	$ 6,803,000
Idaho Power Company	Baa1	$ 1,072,340	$ 1,302,771	$ 1,564,038	$ 1,615,872	$ 1,802,682
Avista Corp.	Baa2	$ 1,328,124	$ 1,256,565	$ 1,400,803	$ 1,354,688	$ 1,485,597

(CFO Pre-W/C) / Debt

Company Name	Rating	2006	2007	2008	2009	2010
MidAmerican Energy Company	A2	27.3%	22.4%	21.7%	29.8%	28.0%
Interstate Power and Light Company	A3	29.2%	38.6%	21.6%	29.8%	26.1%
Northern States Power (Minnesota)	A3	25.0%	28.6%	25.4%	25.2%	26.6%

FIGURE 5

Utility Opco Peers

PacifiCorp	Baa1	17.8%	17.9%	18.7%	26.0%	25.7%
Idaho Power Company	Baa1	14.4%	7.1%	10.4%	18.2%	18.8%
Avista Corp.	Baa2	14.4%	14.2%	17.5%	19.8%	17.7%

(CFO Pre-W/C + Interest) / Interest Expense

Company Name	Rating	2006	2007	2008	2009	2010
MidAmerican Energy Company	A2	5.9x	5.3x	5.6x	6.4x	6.2x
Interstate Power and Light Company	A3	5.3x	6.4x	5.7x	8.1x	6.2x
Northern States Power (Minnesota)	A3	4.6x	5.5x	5.0x	4.9x	5.4x
PacifiCorp	Baa1	4.3x	3.8x	4.2x	5.2x	5.3x
Idaho Power Company	Baa1	3.6x	2.4x	3.0x	4.3x	4.6x
Avista Corp.	Baa2	2.8x	2.9x	3.7x	4.4x	4.1x

Source: Moody's FM

MEC and PacifiCorp are both comfortably positioned in their respective rating categories. Of the two sister companies, MEC merits being rated two notches higher with stronger, more stable credit metrics than PacifiCorp. Although the gap between the two has narrowed since 2009, we note much of PacifiCorp's improvement is a temporary one due to bonus depreciation, and when those tax benefits end in 2012, we expect that its ratios will fall back down to levels typical before 2009 and more in line with its Baa-rated peers, such as CFO pre-W/C / Debt around 20% and CFO pre-W/C / Interest in the low to mid 4 times range.

Stronger metrics for the Iowa and Minnesota utilities are products of more favorable and timely cost recovery mechanisms in those states, while the weaker metrics for the Baa-rated western utilities reflect a history of more restrictive regulation.

Pipeline Subsidiaries Favorably Positioned Against Regional Peers

Northern Natural and Kern River compare best to long-haul pipelines that have similar supply sources and markets and which serve a like function and configuration (e.g., market-pull with a web-like network versus a supply-push bullet line). Northern Natural's peers thus include midwestern pipes that stretch from the Midcontinent and the Gulf Coast to market areas in the upper Midwest, such as Panhandle Eastern and NGPL PipeCo. Kern River's closest peers extend from the Rockies to the West Coast, such as El Paso Natural Gas and the new Ruby Pipeline.

FIGURE 6

Pipeline Peers

Revenue

Company Name	Rating	2006	2007	2008	2009	2010
Northern Natural Gas Company	A2	$ 633,585	$ 663,958	$ 769,087	$ 688,509	$ 624,434
Panhandle Eastern Pipe Line Comp	Baa3	$ 577,182	$ 658,446	$ 721,640	$ 749,161	$ 769,450
Kern River Funding Corporation	A3	$ 325,165	$ 404,193	$ 443,062	$ 371,951	$ 357,322
El Paso Natural Gas Company	Baa3	$ 588,000	$ 557,000	$ 590,000	$ 593,000	$ 517,000

Total Debt

Company Name	Rating	2006	2007	2008	2009	2010
Northern Natural Gas Company	A2	$ 827,610	$ 978,357	$ 1,029,970	$ 1,030,033	$ 1,030,100
Panhandle Eastern Pipe Line Comp	Baa3	$ 1,765,014	$ 1,977,104	$ 2,023,569	$ 2,129,994	$ 2,087,335
Kern River Funding Corporation	A3	$ 1,091,407	$ 1,016,424	$ 943,608	$ 868,702	$ 790,034
El Paso Natural Gas Company	Baa3	$ 1,247,000	$ 1,326,000	$ 1,342,000	$ 1,335,000	$ 1,297,000

(CFO Pre-W/C) / Debt

Company Name	Rating	2006	2007	2008	2009	2010
Northern Natural Gas Company	A2	36.5%	30.5%	35.5%	32.7%	30.6%
Panhandle Eastern Pipe Line Comp	Baa3	14.2%	13.0%	14.6%	18.4%	14.7%
Kern River Funding Corporation	A3	16.0%	29.1%	15.0%	28.2%	23.2%
El Paso Natural Gas Company	Baa3	17.8%	13.9%	24.9%	12.7%	17.1%

(CFO Pre-W/C + Interest) / Interest Expense

Company Name	Rating	2006	2007	2008	2009	2010
Northern Natural Gas Company	A2	7.0x	6.2x	7.0x	6.6x	6.2x
Panhandle Eastern Pipe Line Comp	Baa3	4.6x	3.6x	3.7x	5.4x	3.7x
Kern River Funding Corporation	A3	3.4x	5.0x	3.1x	5.4x	4.8x
El Paso Natural Gas Company	Baa3	3.2x	2.8x	4.4x	2.7x	3.2x

Source: Moody's FM

Of the two MEHC pipes, Northern has distinctly stronger metrics, meriting a rating that is a notch higher than Kern's. Northern is a larger system serving a stable, mature market, while Kern is much exposed to the southern California market and its long-running rate case, since resolved, which resulted in refunds that periodically lowered cash flow ratios. Kern also has higher counterparty risk with its concentration of marketer customers, compared to Northern, which is anchored by higher-rated utility shippers. The two MEHC pipes have better credit metrics than Panhandle and El Paso, much in part to the credit profiles of their parent companies (Baa3-rated Southern Union and Ba3-rated El Paso Corp., respectively) which have more aggressive financial policies than MEHC, and which in the past have used these pipelines as vehicles to raise funds.

CE Electric UK's Metrics Improving Under Conservative Financial Strategy

CE Electric UK is much like PPL WW Holdings (formerly known as Western Power Distribution Holdings), which is also owned by a US energy company (PPL Corp.) and which, under a similar corporate structure, holds two contiguous DNOs about the size of CE Electric UK's two systems. Under the same regulator, they share the same regulatory framework.

FIGURE 7

Distribution Network Operator Peers

Revenue[1]

Company Name	Rating	2006	2007	2008	2009	2010
CE Electric UK Funding Company	Baa1	$ 928,000	$ 1,079,000	$ 993,000	$ 825,000	$ 802,000
PPL WW Holdings Limited	Baa3	$ 763,001	$ 825,199	$ 919,466	$ 763,241	$ 768,071

Total Debt

Company Name	Rating	2006	2007	2008	2009	2010
CE Electric UK Funding Company	Baa1	$ 3,195,616	$ 3,065,431	$ 2,155,838	$ 2,515,380	$ 2,317,310
PPL WW Holdings Limited	Baa3	$ 2,338,514	$ 2,914,583	$ 2,626,903	$ 2,363,295	$ 3,135,884

(CFO Pre-W/C) / Debt

Company Name	Rating	2006	2007	2008	2009	2010
CE Electric UK Funding Company	Baa1	12.5%	13.7%	16.4%	16.2%	19.4%
PPL WW Holdings Limited	Baa3	16.9%	14.0%	17.4%	14.5%	13.5%

(CFO Pre-W/C + Interest) / Interest Expense

Company Name	Rating	2006	2007	2008	2009	2010
CE Electric UK Funding Company	Baa1	2.8x	2.8x	3.5x	3.6x	3.9x
PPL WW Holdings Limited	Baa3	3.4x	3.2x	3.9x	3.6x	4.4x

Net Debt/RAV

Company Name	Rating	2006	2007	2008	2009	2010
CE Electric UK Funding Company	Baa1	75.1%	71.8%	75.6%	77.7%	66.9%
PPL WW Holdings Limited	Baa3	85.0%	79.9%	74.2%	93.2%	89.5%

1 In US$000

Source: Moody's FM

CE Electric UK is rated two notches above PPL WW Holdings, because of its stronger group consolidated credit profile (A3 vs. Baa2) due to CE Electric's steadily improving credit metrics from declining debt and rising cash flow. In comparison, PPL WW Holdings is significantly more leveraged especially in terms of net debt / regulatory asset value[5] (RAV) which is almost 90% (mapping to Ba under Moody's regulated electric networks methodology) reflecting a sizable pension deficit, compared to CE Electric's 67% (mapping to Baa). Moody's also considers PPL WW Holdings' financial strategy to be more aggressive (mapping to "Ba" in the grid), as demonstrated for example, by PPL WW Holdings' history of leveraged distributions to its parent, while CE Electric (mapping to Baa under this factor) has a more credit-accretive history, not having paid a dividend to MEHC since 2003.

CalEnergy Power Projects: Small But Much Riskier Than Regulated Assets

Moody's currently rates three of CalEnergy's power generation projects: CE Generation (Ba1 sr. sec.), which is a holding company for a portfolio of energy projects, a principal one being Salton Sea Funding (Baa3 sr. sec.). CE Generation is a 50/50 joint venture between MEHC and TransAlta (Baa2 sr. uns.). CalEnergy also fully owns Cordova Energy (Ba3 sr. sec.). Below table illustrates how they compare against each other.

FIGURE 8

Power Project Peers

Revenues

Company Name	Rating	2006	2007	2008	2009	2010
Salton Sea	Baa3	$208,688	$ 220,776	$ 227,722	$ 229,648	$ 224,571
CE Generation	Ba1	$476,603	$ 504,287	$ 530,831	$ 394,517	$ 260,531
Cordova Funding	Ba3	$31,040	$32,211	$30,421	$31,048	$32,245

Total Debt

Company Name	Rating	2006	2007	2008	2009	2010
Salton Sea	Baa3	$243,841	$ 218,750	$ 190,685	$ 164,475	$ 137,734
CE Generation – Parent	Ba1	$349,267	$ 308,665	$ 269,810	$ 245,741	$ 442,790
Cordova Funding	Ba3	$194,288	$190,125	$185,400	$178,988	$ 169,987

FFO / Debt

Company Name	Rating	2006	2007	2008	2009	2010
Salton Sea	Baa3	35.6%	41.6%	53.3%	65.4%	67.1%
CE Generation - Consolidated	Ba1	26.7%	31.9%	32.4%	37.4%	26.6%
Cordova Funding	Ba3	5.1%	4.4%	5.4%	5.9%	7.4%

(FFO + Interest) / Interest Expense

Company Name	Rating	2006	2007	2008	2009	2010
Salton Sea	Baa3	5.7x	6.0x	7.3x	8.6x	8.8x
CE Generation – Consolidated	Ba1	4.4x	4.7x	4.8x	5.4x	4.2x
Cordova Funding	Ba3	1.6x	1.5x	1.6x	1.7x	1.8x

[5] Regulatory Asset Value is the capital base upon a regulated network earns a return set by the regulator. This value is akin to rate base in the U.S. The net debt / RAV ratio thus is a measure of loan-to-value.

DSCR						
Company Name	**Rating**	**2006**	**2007**	**2008**	**2009**	**2010**
Salton Sea	Baa3	1.7x	1.9x	1.5x	1.7x	2.1x
CE Generation	Ba1	1.3x	1.6x	1.9x	1.6x	1.8x
Cordova Funding	Ba3	1.3x	1.2x	1.2x	1.1x	1.0x

Source: Company audited financial statements

The debt service coverage ratio (DSCR) shows CE Generation increasing its reliance on Salton Sea as cash flows from another project Saranac decline due to undertaking a less favorable off-take contract. Nevertheless, the CE Generation project was structured anticipating this fall in the DSCR, which still remains within the Baa range according to Moody's methodology for power generation projects. Salton Sea's credit metrics are robust and expected to get even stronger as its debt amortizes. Its geothermal power facilities are an important resource to enable its majority off-taker Southern California Edison (A3 sr. uns.) to meet California's renewable standard, and consequently, the facilities are highly utilized.

In contrast, Cordova owns a gas-fired plant in the highly competitive MISO region, and as a peaker, has a low run rate, and consequently has much weaker credit metrics. Moody's is looking through some of the recent decline in its DSCR and anticipating some near-term improvement as the facility completes its scheduled maintenance.

HomeServices: A Non-Core Segment Well-Capitalized for a Difficult Market

HomeServices is the second-largest residential real estate company in the U.S. Because it is unrelated to energy, Moody's considers it a non-core business for MEHC. We do not rate it since its only indebtedness is a small revolver, which is little utilized; consequently, interest and debt coverage metrics would not be meaningful for HomeServices. The only rated peer for HomeServices is Realogy (Caa2 Corporate Family Rating), the largest residential real estate company in the U.S. which has been financially distressed since a leveraged buyout by a private equity firm about the time the housing market turned down in 2007. The two companies thus are not comparable given the disparity in their financial profiles, but the sustained decline in both their revenues indicate the difficult conditions in the housing market. Since suffering a net loss in 2008, however, HomeServices has been profitable and able to internally finance itself.

Revenues

Company Name	Rating	2006	2007	2008	2009	2010
HomeServices	NR	$ 1,702,000	$ 1,500,000	$ 1,133,000	$ 1,037,000	$ 1,020,000
Realogy	Caa2	$ 6,483,000	$ 5,964,000	$ 4,725,000	$ 3,932,000	$ 4,090,000

Source: Moody's FM

Appendix

Five Year Historical Financial Data

MidAmerican Energy Holdings					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
(in $ millions)	Baa1/Stable	Baa1/Stable	Baa1/Stable	Baa1/Stable	Baa1/Stable
Revenue	$ 10,301	$ 12,376	$ 12,668	$ 11,204	$ 11,127
EBITDA	3,609	4,196	5,310	4,009	4,040
Net Property Plant & Equipment	24,741	26,953	29,090	31,464	32,427
Total Assets	37,149	39,948	42,077	45,212	46,196
Total Debt	19,406	20,935	21,599	21,152	20,829
Total Equity	8,011	9,326	10,172	12,576	13,232
Cash From Operations	2,081	2,494	2,701	3,713	2,983
Capital Expenditures	2,681	3,593	3,960	3,472	2,652
Dividends	-	-	-	-	-

PacifiCorp					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
(in $ millions)	Baa1/Stable	Baa1/Stable	Baa1/Stable	Baa1/Stable	Baa1/Stable
Revenue	$ 4,154	$ 4,258	$ 4,498	$ 4,457	$ 4,432
EBITDA	1,239	1,492	1,511	1,708	1,700
Net Property Plant & Equipment	10,941	11,964	13,886	15,580	16,437
Total Assets	13,982	15,022	17,229	19,009	20,191
Total Debt	5,132	5,459	6,127	6,868	6,803
Total Equity	4,411	5,061	5,965	6,624	7,278
Cash From Operations	796	862	1,005	1,512	1,480
Capital Expenditures	(1,377)	(1,506)	(1,766)	(2,302)	(1,572)
Dividends	(19)	-	-	-	-

MidAmerican Energy Company					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
(in $ millions)	A2/Stable	A2/Stable	A2/Stable	A2/Stable	A2/Stable
Revenue	$ 3,448	$ 4,258	$ 4,700	$ 3,693	$ 3,810
EBITDA	790	881	938	865	858
Net Property Plant & Equipment	5,057	5,780	7,025	7,069	7,045
Total Assets	6,564	7,323	8,631	8,733	9,136

Total Debt	1,998	2,750	3,669	3,181	3,183
Total Equity	1,970	2,305	2,587	2,959	2,958
Cash From Operations	552	591	713	973	852
Capital Expenditures	(749)	(1,290)	(1,469)	(452)	(351)
Dividends	(50)	-	-	-	(375)

Northern Natural Gas

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
(in $ millions)	A3/Stable	A2/Stable	A2/Stable	A2/Stable	A2/Stable
Revenue	$ 634	$ 664	$ 769	$ 689	$ 624
EBITDA	364	384	531	415	349
Net Property Plant & Equipment	1,683	1,884	2,008	2,137	2,193
Total Assets	2,082	2,333	2,521	2,527	2,786
Total Debt	828	978	1,030	1,030	1,030
Total Equity	1,081	1,084	1,175	1,078	1,214
Cash From Operations	300	307	318	336	305
Capital Expenditures	(124)	(228)	(199)	(173)	(139)
Dividends	(250)	(160)	(150)	(312)	-

Kern River

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
(in $ millions)	A3/Stable	A3/Stable	A3/Stable	A3/Stable	A3/Stable
Revenue	$ 325	$ 404	$ 443	$ 372	$ 357
EBITDA	363	362	391	222	217
Net Property Plant & Equipment	1,726	1,664	1,615	1,632	1,717
Total Assets	2,107	2,001	1,893	1,876	1,936
Total Debt	1,100	1,026	952	878	799
Total Equity	554	443	599	568	704
Cash From Operations	251	304	94	292	184
Capital Expenditures	(12)	(27)	(49)	(80)	(162)
Dividends	(259)	(239)	(97)	(134)	(15)

CE Electric UK Funding

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
(in $ millions)	Aaa/Stable	Aaa/Stable	Baa1/Stable	Baa1/Stable	Baa1/Stable
Revenue	$ 992	$ 1,151	$ 1,043	$ 886	$ 936

EBITDA	692	804	721	632	725
Net Property Plant & Equipment	6,000	6,487	5,014	5,826	5,865
Total Assets	7,466	7,859	5,622	6,581	6,495
Total Debt	3,196	3,065	2,156	2,515	2,317
Total Equity	1,127	1,559	1,157	1,424	1,636
Cash From Operations	369	444	495	414	356
Capital Expenditures	(265)	(425)	(459)	(409)	(347)
Dividends	-	-	-	-	-

Source: Moody's Financial Metrics

Cordova

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
(in $ millions)	Ba3/Stable	Ba3/Stable	Ba3/Stable	Ba3/Stable	Ba3/Stable
Revenue	$ 31	$ 32	$ 30	$ 31	$ 32
EBITDA	26	24	26	26	28
Net Property Plant & Equipment	227	220	213	206	199
Total Assets	256	252	246	246	242
Total Debt	194	190	185	179	170
Total Equity	60	61	60	66	71
Cash From Operations	10	8	10	11	13
Capital Expenditures	0	0	0	0	0
Dividends	0	0	0	0	0

CE Generation

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
(in $ millions)	Ba1/Stable	Ba1/Stable	Ba1/Stable	Ba1/Stable	Ba1/Stable
Revenue	$ 477	$ 504	$ 531	$ 395	$ 261
EBITDA	234	256	271	198	122
Net Property Plant & Equipment	825	776	745	706	672
Total Assets	1,348	1,270	1,222	1,156	1,109
Total Debt	349	309	270	246	225
Total Equity	471	474	489	520	524
Cash From Operations	144	186	216	158	87
Capital Expenditures	(27)	(36)	(59)	(58)	(38)
Dividends	(41)	(81)	(92)	(39)	(18)

Salton Sea

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
(in $ millions)	Ba1/Stable	Baa3/Stable	Baa3/Stable	Baa3/Stable	Baa3/Stable
Revenue	$ 209	$ 221	$ 228	$ 230	$ 225
EBITDA	106	113	118	122	113
Net Property Plant & Equipment	574	566	578	562	542
Total Assets	814	798	803	779	747
Total Debt	244	219	191	164	138
Total Equity	464	469	500	515	445
Cash From Operations	89	99	107	110	105
Capital Expenditures	(27)	(36)	(59)	(56)	(38)
Dividends	(37)	(37)	(18)	(35)	(49)

Source: Audited Financial Statements

Moody's Related Research

Credit Opinions:

» MidAmerican Energy Holdings Co.

» PacifiCorp

» MidAmerican Energy Company

» Northern Natural Gas Company

» CE Electric UK Funding Company

» Cordova Funding Corporation

» Salton Sea Funding Corporation

» CE Generation LLC

» Kern River Funding Corporation

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