PACIFICORP
A MIDAMERICAN ENERGY HOLDINGS COMPANY

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

October 29, 2012

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Washington Utilities and Transportation Commission Staff
P.O. Box 40128
1300 S. Evergreen Park Dr. S.W.
Olympia, WA 98504-0128

Attention: David Danner
Executive Secretary

Re: Washington Docket No. UE-051090 Compliance Filing

Dear Mr. Danner:

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 Docket UE-051090 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 report related to PacifiCorp.

Informal questions should be directed to Carla Bird at 503-813-5269 by phone or Carla.Bird@PacifiCorp.com.

Very truly yours,

Bruce Williams

Bruce Williams
Vice President and Treasurer

Enclosure

Cc: Ken Elgin, WUTC
Simon ffitch, Public Counsel

STANDARD
&POOR'S
RATINGS SERVICES

RatingsDirect®

Summary:
PacifiCorp

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Summary:
PacifiCorp

Credit Rating: A-/Stable/A-2

Rationale

Standard & Poor's Ratings Services' 'A-' corporate credit rating on PacifiCorp reflects an "excellent" business risk profile and a "significant" financial risk profile under our criteria. Our assessment of the business risk profile takes into account PacifiCorp's position as a vertically integrated electric utility with geographical, market, and regulatory diversity over its six-state service territory. PacifiCorp provides power to its 1.7 million retail customers in Utah, Wyoming, and Idaho as Rocky Mountain Power and in Oregon, Washington, and California as Pacific Power. Utah and Oregon are the most important markets for the company, providing about 45% and 25% of annual retail sales, respectively. The utility's significant financial profile is supported through steady operating cash flow and restrained leverage to finance new capital spending.

PacifiCorp is indirectly owned by MidAmerican Energy Holdings Co. (MEHC; BBB+/Stable/A-2) and has insulatory provisions that allow us to rate PacifiCorp above the 'BBB+' corporate credit rating on MEHC if PacifiCorp's stand-alone credit measures and business risk profile support the higher rating. In turn, MEHC is privately held and majority owned by Berkshire Hathaway (AA+/Negative/A-1+). Our criteria provide that our corporate credit rating on PacifiCorp can be no more than three notches above the MEHC consolidated credit rating. Ratings on MEHC and PacifiCorp are one notch apart.

Since MEHC's acquisition in 2006, PacifiCorp has made modest strides in improving key business and regulatory aspects. Despite the 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 granted a fuel and purchased power adjuster in Utah last year. Fuel adjustment mechanisms exist for all states but Washington. 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 and will remain so in the next few years, despite the sluggish economic recovery. MEHC has been consistent in its investment strategy for PacifiCorp, with ongoing capital spending that will continue to result in the need for regular revenue increases, requiring prudent regulatory risk management.

Our assessment of PacifiCorp's financial risk profile as significant is based on its consolidated financial measures, which include adjusted financial measures that are mostly in line with the rating. For the 12 months ended June 30, 2012, adjusted funds from operations (FFO) to total debt was a robust 21%. Debt leverage was adequate as demonstrated by adjusted total debt to total capital of 51%, but adjusted debt to EBITDA of 4.3x. Adjusted net cash flow (FFO less dividends) to capital spending was healthy at more than 100% and, after reducing cash flow from operations with capital spending and dividends, adjusted discretionary cash flow was negative $46 million. The measures indicate a modest need for external financing for capital spending and owner distributions. Adjusted FFO interest coverage was adequate at 4.9x, and the company's adjusted dividend payout ratio was much lower than the industry average, providing additional financing cushion for capital spending. Although our forecast credit measures are adequate for PacifiCorp's significant financial profile, our base-case forecast indicates adjusted financial measures that include a decrease in adjusted FFO to total debt to about 18% due to the waning benefits of deferred taxes and maintenance of adjusted debt to capital of about 51%. We forecast a drop in adjusted debt to EBITDA to about 4x over the next several years.

Liquidity

Our short-term rating on PacifiCorp is 'A-2'. The utility's stand-alone liquidity position is considered "adequate" under Standard & Poor's liquidity methodology. We base our liquidity assessment on the following factors and assumptions:

- We expect PacifiCorp's liquidity sources over the next 12 months, including cash, FFO, and credit facility availability, to exceed uses by 1.2x. Uses include necessary capital spending, working capital, debt maturities, and shareholder distributions.
- Debt maturities are manageable over the next 12 months.
- We believe liquidity sources would exceed uses even if EBITDA decreased 15%.
- In our assessment, PacifiCorp has good relationships with its banks and has a good standing in the credit markets, having successfully issued debt during the recent credit crisis.

In our analysis of liquidity over the next 12 months, we assume roughly $2.4 billion of liquidity sources, consisting of FFO, cash, and credit facility availability. We estimate liquidity uses of approximately $1.8 billion for maintenance capital spending, maturing debt, working capital, and shareholder distributions. We believe PacifiCorp will continue to maintain sources over uses at greater than 1.2x to support the adequate stand-alone liquidity position.

PacifiCorp maintains $720 million and $600 million unsecured credit facilities that mature July 2013 and June 2017, respectively. PacifiCorp's borrowing capacity is reduced after allocating credit facility capacity as support for variable-rate tax-exempt bonds. Regulatory restrictions limit PacifiCorp's short-term debt to $1.5 billion. PacifiCorp has modest debt maturities over the next several years with $283 million in 2013, $275 million in 2014, $147 million in 2015, and $72 million in 2016.

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 corporate credit rating (CCR) on a utility 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 CCR on a utility by as many as one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories.

PacifiCorp's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of 1.5x supports a recovery rating of '1+' and an issue rating one notch above the CCR.

Outlook

The stable outlook on PacifiCorp reflects our expectation that management will continue to focus on its core utility operations and reach construction regulatory outcomes to avoid any meaningful business risk rise. The outlook also includes our projection that cash flow measures will decrease as construction projects move forward and bonus depreciation benefits decrease. Our base forecast includes adjusted FFO to total debt of about 18%, adjusted debt to EBITDA of roughly 4x, and adjusted debt to total capital hovering at 50%. These measures are consistent with our expectations for the rating. We could lower ratings if financial measures consistently underperform our base forecast and remain at less credit-supportive levels, including adjusted FFO to total debt of less than 17%, adjusted debt to EBITDA that exceeds 5x, and adjusted debt to total capitalization of more than 54%. We do not contemplate positive rating actions because of near-term capital needs, but we could raise ratings if financial measures strengthen and consistently exceed our base forecast, including FFO to total debt greater than 22%, debt to EBITDA less than 4x, and debt to total capital of no more than 47%.

Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Analytical Methodology, April 15, 2008
- Ratios And Adjustments, April 15, 2008
- Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds, Sept. 6, 2007