PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah, Suite 2000
Portland, Oregon 97232

May 16, 2017

VIA ELECTRONIC FILING

Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

RE: Docket UE-051090—Compliance Filing

Pacific Power & Light Company (Pacific Power or Company), a division of PacifiCorp, provides this credit rating agency report related to PacifiCorp in compliance with Order 07 in docket UE-051090 issued on February 22, 2006, and amended in Order 08 on March 10, 2006.

The Company committed to providing credit rating agency news releases and final reports to Washington Utilities and Transportation Commission staff and Public Counsel on an informational basis in Commitment Wa21, as adopted by the above-referenced orders. This credit rating agency report is being provided in accordance with Commitment Wa21.

Please direct informal questions to Ariel Son, Regulatory Affairs Manager, at (503) 813-5410.

Sincerely,

Ryan Weems
Assistant Treasurer

Enclosures

cc: Tom Schooley, WUTC
Lisa Gafken, Public Counsel

FitchRatings

U.S. Corporates
Spotlight Series

May 2017

Berkshire Hathaway Energy Company

Subsidiary of Berkshire Hathaway, Inc.

Special Report

Ratings

Long-Term IDR	BBB+
Short-Term IDR	F2
Senior Unsecured	BBB+

IDR – Issuer Default Rating.

Rating Outlook

Long-Term IDR	Stable

Related Research

Fitch Affirms Berkshire Hathaway Energy Co & Subs (February 2017)

Analysts

Philip Smyth, CFA
+1 212 908-0531
philip.smyth@fitchratings.com

Kevin Beicke, CFA
+1 212 908-0618
kevin.beicke@fitchratings.com

Key Rating Drivers

BHE Ownership: Berkshire Hathaway Energy Company's (BHE) affiliation with Berkshire Hathaway, Inc. (BRK, AA–/Stable) is a key factor supporting BHE's 'BBB+' Issuer Default Rating (IDR). BRK's ownership of BHE allows the subsidiary to retain capital typically paid out in the form of dividends by investor-owned utilities (IOU). This dynamic is a function of BRK's strong credit profile, large cash position (approximately $86 billion as of Dec. 31, 2016) and investment appetite.

Positive FCF Projections: Unlike most IOUs, BHE is able to retain earnings normally paid out in the form of dividends to attract equity capital. As a result of this and predictable, strong cash flow from its diversified mix of utility and utility-like assets, Fitch Ratings estimates that BHE will be FCF positive during 2017–2020. FCF in 2015 and 2016 was $1.1 billion and $966 million, respectively. Total adjusted debt declined approximately $600 million to $38.8 billion as of Dec. 31, 2016 from $39.4 billion at the end of 2014. Fitch projects that FFO-adjusted leverage, which peaked in 2013 at 5.9x, will approximate 5.0x in 2017–2020.

Future M&A Likely: BHE has been an active consolidator in the utility, power and gas sector, acquiring high-quality, low-risk electric and gas utility, electric transmission and natural gas pipeline assets. The impact of future M&A activity on BHE's credit quality will be a function of price, asset quality and funding choices. Debt-funded acquisitions and/or acquisition of high-risk profile businesses could challenge credit quality. Large acquisitions in recent years include AltaLink, L.P. (ALP) in 2014 and NV Energy, Inc. (NVE, BBB–/Positive) in 2013.

Diversified, Regulated Asset Base: BHE's ratings are supported by its large, high-quality portfolio of utility and utility-like assets primarily located in the U.S., Canada and Great Britain. BHE owns three large U.S.-based integrated electric utilities with generally constructive regulation operating in the U.S. Rocky Mountain, Pacific Northwest, Midwest and Desert Southwest regions. Fitch expects cash from BHE's diverse portfolio will amply cover future parent-only obligations.

Consolidated Financial Metrics: The acceleration of BHE's M&A activity in 2013 and 2014 and an associated increase in parent-company leverage is estimated by Fitch to pressure BHE's consolidated credit metrics. Fitch projects FFO fixed-charge coverage and adjusted leverage ratios will be in the ranges of 3.9x–4.1x and 4.6x–4.8x, respectively, in 2017–2020.

Strong Parent-Only Cash Flow: Fitch estimates that the ratio of BHE parent-only debt/total sources will be in the 2.7x–3.2x range in 2017–2019. Parent-only BHE debt (composed of senior notes and junior subordinated debentures) hit a peak of $11.7 billion in 2014, reflecting funding of the NVE and ALP acquisitions. From the peak, BHE has reduced its outstanding parent company debt by 28% to $8.4 billion as of Dec. 31, 2016. Absent further M&A activity, Fitch estimates that BHE parent-only debt will continue to decline.

Rating Sensitivities

Berkshire Hathaway Energy

Positive Rating Action: Relatively high consolidated leverage is a significant hurdle to positive rating actions in the near-to-intermediate term. Nonetheless, improvement in FFO-adjusted leverage to 3.6x–3.8x or better on a sustained basis could result in future rating upgrades.

Negative Rating Action: Deterioration of BHE's FFO-adjusted leverage to 5.0x–5.5x or worse on a consistent basis would likely lead to a rating downgrade. Longer term, a change in ownership structure and/or strategic direction at BRK that eliminated or diminished capital retention and other benefits currently available to BHE would likely lead to a downgrade at the utility holding company and pressure its subsidiaries' ratings as well. Large debt-funded M&A transactions and/or acquisition of assets with more volatile cash flows and higher business risk at BHE could trigger a rating downgrade at the utility holding company. Such higher-risk businesses in the Utilities, Power & Gas sector would include certain higher-risk midstream and merchant generation assets. Significant deterioration in the financial strength of BRK leading to a rating downgrade would likely also trigger adverse rating actions at BHE. Poor operating and financial performance or catastrophic outages at its operating subsidiaries could lead to a downgrade at BHE.

NV Energy

Positive Rating Action: Improvement in NVE's FFO and EBITDAR leverage to 5.0x and 3.75x or better, respectively, on a long-term basis, along with continuation of a balanced political/regulatory environment in Nevada, could lead to a one-notch upgrade for NVE and its operating subsidiaries, Nevada Power Company (NPC) and Sierra Pacific Power Company (SPPC), within 18 months. Resolution of pending energy policy uncertainties in Nevada, including retail customer choice, net energy metering, energy efficiency and higher renewable portfolio standards (RPS), signalling continuation of a balanced regulatory compact, could lead to future positive credit rating actions.

Negative Rating Action: An unexpected deterioration in the currently constructive regulatory compact in Nevada or other factors pressuring FFO leverage to 6.0x or weaker for NVE could lead to a future, adverse rating action for NVE, NPC and SPPC. The highly politicized debate in Nevada regarding net metering and other critical energy policy issues is a source of concern that could lead to future negative credit rating actions.

MidAmerican Energy Company / MidAmerican Funding LLC

Positive Rating Action: The utility's strong credit rating limits a positive rating action. However, stable, sustained FFO-adjusted coverage and leverage ratios of 5.0x and 3.5x or better, respectively, could result in a rating upgrade. Structural subordination of MidAmerican Funding LLC (MF, BBB+/Stable) debt to MidAmerican Energy Co. (MEC, A–/Stable) and current Fitch notching criteria require an upgrade at the utility to accommodate an upgrade at MF.

Negative Rating Action: A significant deterioration in the regulatory compact in Iowa, a catastrophic plant outage, or other factors causing MEC's FFO leverage to weaken to 4.5x or worse on a sustained basis would likely lead to a rating downgrade for both MEC and MF.

Related Criteria

Criteria for Rating Non-Financial Corporates (March 2017)

Recovery Ratings and Notching Criteria for Non-Financial Corporate Issuers (November 2016)

Parent and Subsidiary Rating Linkage (August 2016)

Recovery Ratings and Notching Criteria for Utilities (March 2016)

Rating U.S. Utilities, Power and Gas Companies (Sector Credit Factors) (March 2014)

PacifiCorp

Positive Rating Action: A positive rating action for PacifiCorp (PPW, A–/Stable) is unlikely in the near-to-intermediate term given Fitch's current expectations. However, further improvement in PPW's FFO coverage and leverage ratios to 5.0x and 3.5x, respectively, in concert with a stable or improving business risk profile, could result in a rating upgrade.

Negative Rating Action: An unexpected, sustained weakening of FFO leverage due to deterioration in PPW's regulatory oversight, meaningfully higher-than-expected capex, a catastrophic plant outage, or other factors causing PPW's FFO leverage to weaken to 4.5x or worse could lead to a rating downgrade.

Northern Natural Gas Company

Positive Rating Action: The pipelines' relatively high ratings challenge future positive rating actions.

Negative Rating Action: Deterioration of Northern Natural Gas Company's (NNG, A/Stable) FFO-adjusted leverage to 4.0x or weaker could result in a rating downgrade. NNG could be downgraded due to recontracting risk, unexpected increases in operating costs, or catastrophic pipeline related events leading to significant pressure on projected credit metrics.

What Investors Want to Know

Is Future M&A Activity Likely at BHE? What Impact Would a Major Acquisition Have on BHE's Ratings?

BHE has been an active consolidator in the Utilities, Power & Gas sector, acquiring high-quality, low-risk electric and gas utility, electric transmission and natural gas pipeline assets. Large BHE acquisitions in recent years include NVE in 2013 and ALP in 2014. The potential impact of future M&A activity on BHE's credit quality will be driven by price, asset quality and funding choices. Large, debt-funded acquisitions and/or acquisition of high-risk profile businesses are a primary source of concern in Fitch's view that could challenge credit quality at BHE.

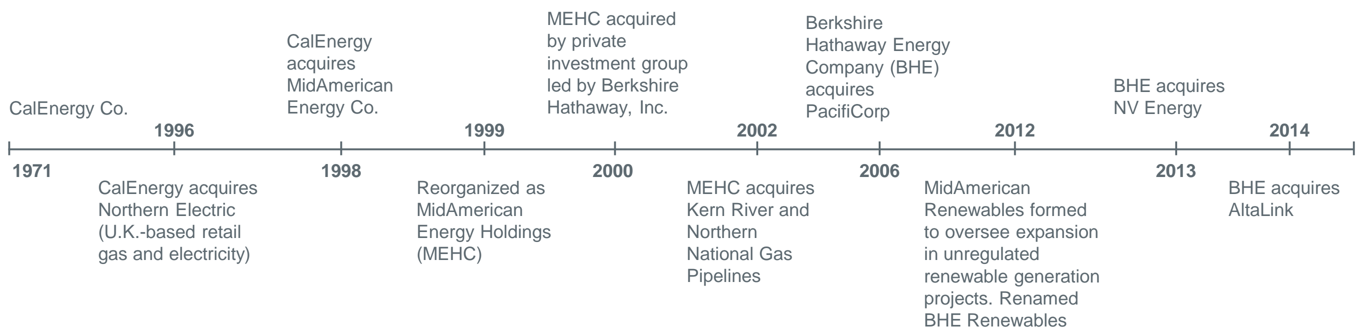
Central to Fitch's rating considerations in light of BHE's high leverage relative to its current 'BBB+' IDR is the locus of BHE's M&A activity. While BHE has primarily targeted utility and utility-like businesses, including interstate gas transmission, pursuit of far riskier assets across the energy food chain cannot be ruled out and is a key credit concern. Among riskier asset classes along the energy food chain, investment in nuclear or fossil-fuel merchant generation appears unlikely. More likely, in Fitch's opinion, would be a large acquisition by BHE in the midstream space at a price it deems attractive relative to long-term business fundamentals. BHE has frequently been mentioned as a potential suitor for Oncor Electric Delivery Company, which may soon be on the market again in the wake of regulatory opposition to NextEra's proposed acquisition of the Dallas-Fort Worth-based transmission and distribution utility. Management made a point of mentioning at its April 1, 2017 fixed-income analyst day that it is comfortable with ring-fence structures, which have been implemented across its major operating subsidiaries. The recent rejection of the proposed merger of Westar Energy and Great Plains Energy Inc. by the Kansas Corporation Commission could provide a future mid-cap target for BHE should the link-up with Great Plains Energy fall through.

Structuring of past deals at BHE has been fairly aggressive in term of leverage, in Fitch's view, and relied primarily on public debt issuance and hybrid securities issued to BRK with the latter being repaid relatively quickly. In the ALP merger, BHE financed the all-cash acquisition with

approximately $1.5 billion of senior notes and $1.5 billion of junior subordinated debentures. Acquisition funding for NVE also relied on a large component of senior notes and subordinated debentures.

The funding of the ALP and NVE acquisitions pushed junior subordinated debentures on BHE's balance sheet at year-end 2014 to $3.8 billion and total parent-only debt to $11.7 billion. By the end of 2016, BHE had repaid approximately $2.9 billion of its junior subordinated debt outstanding, and total parent-only debt was reduced 28% to $8.4 billion. Fitch expects BHE to completely repay the remaining hybrid securities balance of $944 million as of Dec. 31, 2016 by the end of 2017. Based on Fitch estimates, BHE will be significantly FCF positive in 2017–2020, and leverage is estimated to decline moderately through 2020. The timeline below summarizes BHE's acquisition track record, which includes MEC in 1999, NNG and Kern River Gas Transmission Co. (KRGT) in 2002 and PPW in 2006, in addition to NVE and ALP.

Timeline — Berkshire Hathaway Energy Company



Source: Fitch Ratings.

In 2008, BHE bid $4.7 billion for Constellation Energy Group (CEG), a utility holding company with a relatively high business risk profile that included significant merchant nuclear generation and energy marketing operations. BHE provided a $1 billion lifeline to CEG during a period of extreme financial stress, which it funded by issuing junior subordinated debt to BRK. CEG ultimately rejected the proposed merger with BHE, opting instead to sell its nuclear generation to the French power company Electricite de France. (CEG was ultimately acquired by Exelon Corporation.) Rejection of the proposed merger by CEG resulted in a windfall for BHE. While BHE may have lost out on its bid, it walked away from the transaction with after-tax proceeds of approximately $725 million and unencumbered by exposure to merchant nuclear generation. More than $400 million of the after-tax proceeds were used by BHE to reduce debt.

In Fitch's estimation, BHE paid a full price for its respective $7 billion and $10 billion acquisitions of ALP and NVE. More recently, BHE has been disciplined with regard to M&A, sitting on the sidelines since closing the ALP acquisition in 2014, choosing not to pay up for assets. Nonetheless, M&A is a central component of BHE's growth strategy in Fitch's view, and the agency expects BHE's acquisitive streak will continue, driven by its ultimate parent's desire to deploy capital in the sector.

Could a Change in Leadership at BRK Result in Downgrades to BHE's Credit Ratings?

Key man risk from the potential departure of BRK chairman Warren Buffett is a concern at BHE, and its corporate parent, BRK. The main risk to BHE's creditworthiness, in Fitch's opinion, is a resulting change in strategy or, as is sometimes the case with a change in leadership at a large conglomerate, the breakup of the company to maximize shareholder value. In this scenario, the substantial credit benefits from BHE's affiliation with BRK — including dividend retention, tax efficiency and access to relatively inexpensive capital — may be obviated and could result in future credit rating downgrades.

Would a Downgrade to BRK Result in a Downgrade at BHE?

Significant deterioration at BHE's corporate parent sufficient to result in adverse rating actions is a low-probability event in Fitch's view, but one that cannot be ruled out entirely. If material weakness in BRK's business fundamentals became severe enough to obviate the capital retention and other advantages provided to BHE, credit downgrades at the utility holding company would likely be unavoidable.

Because of its affiliation with BRK, BHE is able to retain capital typically paid out in dividends by publicly held IOUs. This dynamic is a function of BRK's strong credit profile, large cash position ($86 billion as of Dec. 31, 2016) and investment appetite. The ability of BHE to retain earnings is a key competitive advantage. As a result, Fitch projects that BHE, unlike the vast majority of utilities, will be FCF positive in 2017–2020. A reversal of fortune at BRK sufficient to trigger significant cash demands of BHE would be a significant adverse development for the utility holding company and would likely pressure creditworthiness at its operating subsidiaries. However, ring-fence provisions at ALP, MEC, NNG, NVE and PPW, in this hypothetical scenario, would likely provide a measure of downside credit protection, in Fitch's estimation, as BRK and BHE moved down the rating scale.

Do You Expect Trump Administration Policies to Have a Meaningful Impact on BHE's Creditworthiness?

The impact of anticipated tax reform legislation is a source of uncertainty for BHE from a credit perspective, in Fitch's view, based on initial Trump administration and House Republican draft legislation. The potential loss of tax deductibility is the biggest concern for BHE in light of the utility holding company's significant parent-level debt, which at year-end 2016 represented approximately 22% of consolidated debt.

Fitch believes successful implementation of the Trump administration's pro-growth policies would be generally constructive for credit quality from a utility industry perspective. Trump administration initiatives to reverse the previous administration's strong support for carbon emission reductions are likely to help some coal-heavy utilities and merchant generation companies. However, Fitch believes the impact to BHE's U.S. operating utilities is likely to be modest given low natural gas price projections and strong state political support for a cleaner energy mix.

Significant momentum for energy policy supporting a rapidly growing share of low- and non-emitting energy resources exists at the state level, as witnessed by leap-frogging renewable portfolio standards and initiatives to phase out coal generation. Low natural gas prices and burgeoning shale reserves bode ill for a rebound in coal-fired generation output supporting a de facto U.S. renewables and natural gas energy supply policy that appears to have widespread grassroots support.

On the local political front, Fitch expects an active legislative session in Nevada with regard to energy policy, including retail customer choice, net energy metering and a potential increase in the state's RPS. Iowa, a strong and early supporter of clean energy, continues to support further development of clean energy initiatives, including energy efficiency, renewables and a more flexible grid, taking a holistic, balanced approach to statewide energy policy, in Fitch's view. In 2016, Oregon enacted legislation phasing out coal generation.

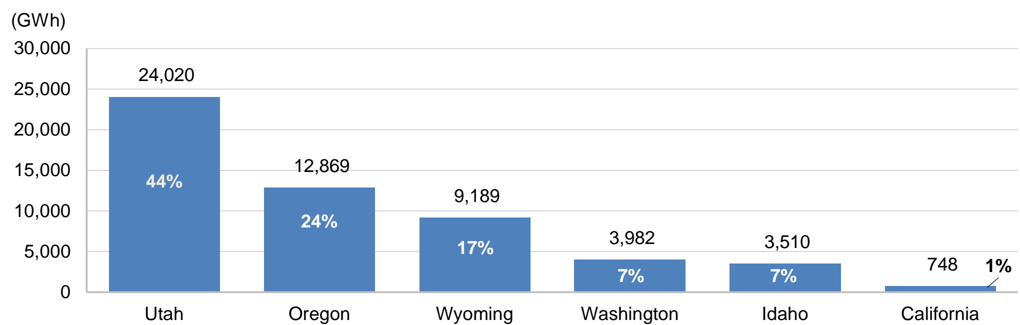
Is Oregon Legislation Phasing out Coal a Significant Challenge to PPW's or BHE's Creditworthiness?

In Fitch's view, Senate Bill (S.B.) 1547-B enacted in March 2016 phasing out coal-fired generation in Oregon by 2035 while sharply increasing Oregon's renewable standard is likely to result in higher costs for the utility. However, Fitch believes the higher costs associated with S.B. 1547-B will be recovered from customers and the impacts of the legislation will be manageable within PPW's current credit profile.

The law sets firm milestones for the elimination of coal-fired generation for the state's two largest electric utilities, Portland General by 2035 and Pacific Power (which is a division of PPW) by Jan. 1, 2030. S.B. 1547-B also sets a significantly higher RPS, requiring that 35% of retail load is sourced from qualifying renewables by 2030, 45% by 2035 and 50% by 2040. Oregon's 2007 RPS required that 20% of retail customer power needs be met by qualifying renewables, increasing to 25% in 2025.

S.B. 1547-B was the result of a collaborative process of stakeholders, including PPW and environmental groups, and will help the state achieve its ambitious carbon reduction goal of 75% below 1990 levels by 2050. PPW estimates that the legislation will save consumers up to $600 million compared with a proposed ballot initiative sponsored by Renew Oregon. While Oregon is PPW's second-largest contributor to consolidated kilowatt-hour (kWh) sales ranked by state, it represented approximately one-quarter of annual PPW sales, underscoring the geographic diversity of the utility's operations. As indicated in the table below, Utah, Oregon and Wyoming accounted for 85% of total kWh sales during 2013–2016, with Washington, Idaho and California accounting for the remaining 15%.

PacifiCorp Electric Sales by State



Source: Company reports, Fitch Ratings.

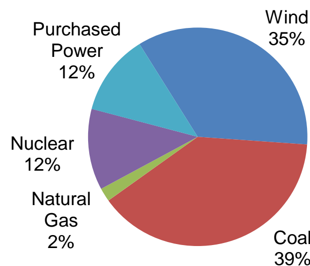
Is Exposure to Coal Generation a Significant Risk at BHE's Other U.S.-Based Electric Utilities?

NVE's in-house generation is primarily natural gas-fired. NVE shuttered coal-fired Reid Gardner Unit 4 in the first quarter 2017 and expects to eliminate its interest in Navajo Units 1, 2 and 3 in 2019, which are also coal-fired. The plant closures are in compliance with Nevada Senate Bill (S.B.) 123, which mandated retirement of approximately 800 megawatts (MW) of coal-fired generation. Under the Nevada Public Utility Commission-approved emissions reduction and capacity replacement plan, Nevada Power will shutter 812MW of coal-fired generation by the end of 2019.

Load requirements are primarily met through in-house gas generation and a significant measure of primarily long-term purchased power contracts, as NVE's operating utilities are short capacity. Approximately 71% of NVE's operating utilities' energy supply was provided by in-house generation (64% natural gas/7% coal), with the remainder purchased primarily via long-term renewable and nonrenewable contracts.

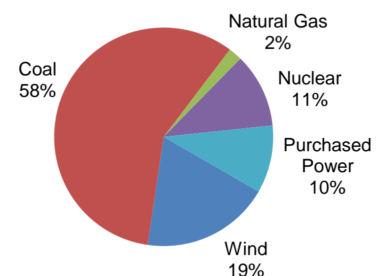
MEC, on the other hand, is a coal-heavy Midwestern utility, albeit one that has been able to significantly mitigate environmental exposure, in Fitch's opinion. This has been achieved with the support of a forward-looking, balanced Iowa regulatory compact, large investment in wind generation, installation of pollution-control equipment to comply with Environmental Protection Agency rules and the retirement of certain coal units. At the end of 2016, MEC owned approximately 4,000MW of wind capacity up from 1,300MW at the end of 2010 and, with completion of its 2,000MW Wind XI project, MEC's owned wind capacity is expected to approximate 6,000MW in 2020. As a result of this aggressive commitment to renewables and other factors, coal as a proportion of MEC's energy mix declined to 39% in 2016 from 58% in 2012, while wind output has grown to 35% of MEC's energy mix in 2016 from 19% in 2012.

2016 MidAmerican Energy Co. Total Energy Supplied by Energy Source



Source: Company reports, Fitch Ratings.

2012 MidAmerican Energy Co. Total Energy Supplied by Energy Source



Source: Company reports, Fitch Ratings.

What Key Factors Support Fitch's Positive Rating Outlook for NVE?

The Positive Rating Outlook for NVE and its operating subsidiaries NPC and SPPC, reflect solid credit metrics, affiliation with a stronger corporate parent since BHE's 2013 acquisition of NVE and a credit supportive regulatory/legislative environment. Fitch estimates FFO-adjusted leverage of less than 5.0x for NVE and its subsidiaries, supporting a one-notch upgrade for NVE, NPC and SPPC. The upgrade would narrow the rating differential between BHE's 'BBB+' IDR and NVE's IDR from two notches currently to one notch. The ratings and Positive Outlook anticipate continuation of a supportive Nevada regulatory/legislative environment. Adverse developments in Nevada's 2017 legislative session would likely restrain upward momentum for NVE and its subsidiaries' credit ratings.

Is Retail Customer Choice Likely to Be Implemented in Nevada?

While it is not clear if full customer choice will ultimately be implemented in Nevada, strong support for industry restructuring was clearly evident in the 2016 vote supporting the ballot initiative. In Nevada's 2016 election, a plurality of more than 70% voted in favor of retail customer choice. The administration of Governor Brian Sandoval has formed a committee to anticipate changes that would be required to implement full retail customer choice. Legislation has also been proposed to form a separate legislative committee to review the issue and its implications. The legislature will be required to enact laws to facilitate implementation of full retail competition in Nevada by 2023 should the initiative pass muster with voters in a second vote to be held in 2018. Fitch believes the prospect of retail choice injects a significant measure of uncertainty for NVE from a credit perspective with regard to ultimate implementation and cost recovery issues, including potential stranded costs.

With executive order 2017-03, Governor Sandoval created a 22 voting member committee headed by Lieutenant Governor Mark Hutchison to prepare for anticipated changes due to adoption of customer choice for all retail customers. The mission of the governor's committee on energy choice is to identify issues to be resolved and offer suggestions and proposals for legislative, regulatory and executive actions to be taken to implement the ballot initiative. A second vote is required to amend the Nevada constitution to implement choice for all retail customers.

NVE management has a seat on the governor's committee as the state considers energy restructuring and how competitive generation markets will be structured. Key issues to be determined include recovery of potential stranded costs and the provision of standard offer service. NVE is not interested in undertaking the role of provider of last resort in a restructured Nevada power market.

Assembly Bill (A.B.) 452 proposes formation of a legislative committee to consider questions raised by Question 3, the 2016 retail choice ballot initiative. The committee, in addition to anticipating any issues, policies or requirements resulting from Question 3, would review the work of the governor's committee on energy choice with an eye toward efficient implementation of retail customer choice.

What Does Fitch Expect for Net Energy Metering and Other Legislative Initiatives in Nevada?

As anticipated, Nevada's 79th (2017) legislative session has been active in the area of energy policy beyond retail customer choice, with several bills proposed. Sponsored by Democratic Assemblyman Justin Watkins, A.B. 270 would roll back changes to Nevada's net energy metered customer tariffs, rates and charges to those in effect prior to enactment of S.B. 374 in 2015. Consistent with S.B. 374, the Nevada Public Utilities Commission (PUCN) issued orders modifying net metered (NM) tariffs in late 2015 and the first quarter 2016, significantly increasing fixed charges and reducing prices paid by the utility to customer generators over a 12-year period. As a result of the commission changes to NM tariffs, solar installations in Nevada evaporated along with jobs and installed roof-top solar systems turned more costly for systems already installed by customer exporters. The resulting political backlash was strong. The governor implemented personnel changes at the PUCN. The reconstituted PUCN issued an order at NVE's request in September 2016 grandfathering existing distributed generation systems for 20 years. In addition, the governor reconvened the New Energy Task Force, which submitted recommendations including reinstatement of NM. As proposed, A.B. 270 includes no cap on the number of NM systems that may be installed and mandates that distributed systems subject to time-of-use rates be accorded the highest rates first for exports to the utility.

Other legislative proposals include A.B. 206, which, if enacted as proposed, would increase Nevada's RPS to 50% by 2030 and 80% by 2040. This compares with the 2015 RPS of 25%. The bill is opposed by Wynn Resorts, Las Vegas Sands and the Nevada Resort Association. NVE proposes maintaining the current RPS. Legislation has also been proposed to protect retail buyers of roof-top systems from fraud.

Berkshire Hathaway Energy Company

Corporates Ratings Navigator
US Utilities

Factor Levels	Business Profile							Financial Profile			Issuer Default Rating
	Sector Risk Profile	Operating Environment	Management and Corporate Governance	Regulation	Market and Franchise	Asset Base and Operations	Commodity Exposure	Profitability	Financial Structure	Financial Flexibility	
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+											A+
a											A
a-											A-
bbb+											BBB+ Stable
bbb											BBB
bbb-											BBB-
bb+											BB+
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b+											B+
b											B
b-											B-
ccc											CCC
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c											C
d or rd											D or RD

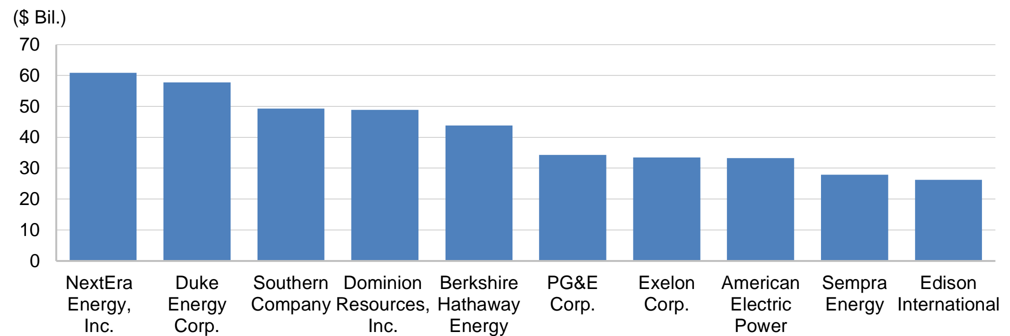
Company Overview, Segment Performance and Expectations

BHE is a large, diversified utility holding company operating in energy markets primarily in North America and the U.K. that is 90% owned by BRK. Walter Scott, along with family members, and related entities (9%) and Greg Abel (1%) account for the remaining 10% ownership interest in BHE. The company's history extends back to the formation of CalEnergy in 1971. From its roots in geothermal energy production, CalEnergy expanded in unregulated and regulated energy markets in the U.S., Asia and the U.K., acquiring MidAmerican Energy Company in 1998. The company was reorganized as MidAmerican Energy Holdings Company (MEHC) and ultimately acquired by an investor group led by Warren Buffet's BRK in 2000. MEHC was renamed Berkshire Hathaway Energy Company in 2014.

BHE is BRK's investment vehicle in the utility power and gas sector. Aided by the significant advantages provided through affiliation with BRK, BHE has grown rapidly through M&A and reinvestment of retained earnings and cash flow from its core utility and utility-like businesses. Advantages from affiliation with BRK include capital retention and significant tax efficiencies. As a privately held company since 2000, BHE's M&A activity has focused on large, monopolistic or quasi-monopolistic assets with regulated or relatively predictable cash flow that provided essential services to customers. In 2002, BHE acquired two natural gas pipelines, NNG and KRGT. The acquisition of PPW followed in 2006 and BHE acquired NVE in 2013 and ALP, a Canadian transmission company, in 2014.

Assuming a 1.8x multiple of book value of shareholder's equity, BHE's market capitalization would approximate $44 billion, among the largest investor-owned electric utilities, as indicated in the bar graph below. Approximately 70% of consolidated BHE 2016 EBITDA was provided by its North American electric and gas utility and electric transmission operations. Northern Powergrid Holdings Company (NPG, BBB+/Stable) and its two U.K.-based network operating businesses accounted for 9% of consolidated 2016 BHE EBITDA. BHE's two natural gas pipeline systems, NNG and KRGT, represented 9% of consolidated EBITDA. BHE Renewables and Home Services contributed 8% and 4%, respectively, to 2016 BHE consolidated EBITDA.

Market Capitalization Comparison



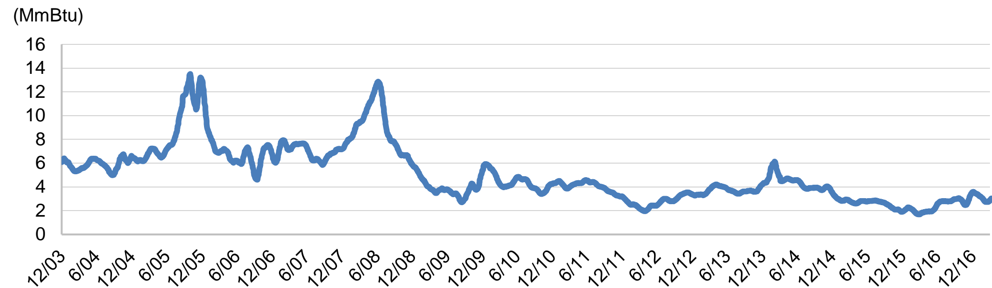
Sources: Bloomberg, Fitch Ratings analysis.

BHE's capital investment plan as presented at its 2017 fixed income investor conference on March 31, 2017 is significantly higher than the plan management presented at its 2016 fixed income investor conference. BHE capex over the next three years is expected to increase approximately $4.2 billion, or 45% from last year's projected $9.4 billion investment estimate. The sharp increase in 2017–2019 planned capex is driven primarily by MEC's $3.6 billion Wind XI project, wind repowering at PPW and solar renewable energy development at BHE Renewables, offset somewhat by lower growth investment at ALP. Moreover, Fitch believes that BHE's recent capex estimates are likely to be exceeded based on PPW's recently filed integrated resource plan (IRP), which includes incremental investment in wind renewables. The IRP includes 1,100MW of new-build wind capacity, 905MW of repowered wind generation and a 140-mile transmission line in Wyoming to access the new-build WY wind generation and relieve congestion.

Macro Factors

Low interest rates and power and gas commodity prices are significantly positive factors supporting integrated and transmission and distribution utility creditworthiness. Advances in drilling technology have resulted in a surfeit of supply and a sharp, sustained decline in energy prices. In addition, the secular decline in interest rates, now in its fourth decade, has confounded prognosticators' expectations for a meaningful reversal in recent years. While Fitch believes secular lows are probably in the past, upward movement in interest rates and natural gas and power prices are expected to be manageable. Fitch estimates that the U.S. 10-Year Treasury yield will be 2.8% at the end of 2017, a 24-basis-point increase from the year-end 2016 U.S. Treasury yield and 2.23% recently. Fitch expects natural gas prices to rebound from recent cycle lows of under $2.00/MMBtu in 2016. However, the anticipated rebound off of recent lows is expected to be moderate. Fitch's base case Henry Hub natural gas price forecast is $2.75/MMBtu in 2017, $3.00/MMBtu in 2018 and 2019 and $3.25/MMBtu in the long term. Based on Fitch's work with third-party consultant Wood Mackenzie, Henry Hub natural gas prices are expected to remain under $4.00/MMBtu through 2026.

Henry Hub Daily Natural Gas Spot Price
(Dec. 31, 2003–April 13, 2017)



MmBtu – Million British thermal units.
Source: Bloomberg.

Fitch believes the regulatory environment for utilities has improved meaningfully over the past decade, despite the persistent declining trend in authorized return on equity (ROE). Declining commodity costs since 2008 have provided meaningful headroom in rates to absorb higher capex without undue rate increases to customer bills. There has been a notable increase in adoption of periodic rate adjustment mechanisms that provide utilities with timely recovery of a variety of operating costs outside of base rate proceedings, mitigating earnings attrition due to rate lag.

Other key factors coloring the strategic outlook for BHE and its competitors in the sector include a rapidly declining renewable energy cost curve, strong public policy support for retail distributed generation and renewables, energy efficiency and sluggish growth in kWh sales. Fitch expects total retail sales to grow between 0.0% and 0.5% annually, significantly below the 1%–2% growth rates witnessed in prior decades. Sluggish electricity demand growth is, in Fitch's opinion, a function of tepid economic growth, energy efficiency initiatives, demand-side management programs and, to a small extent, growing penetration by distributed generation. Industrial sales have struggled as a strong dollar and subdued global demand have affected export-driven demand sectors, such as primary metals, chemicals and paper. Based on U.S. Energy Information Administration (EIA) data, 2016 industrial sales were down 5%. Despite sluggish sales trends, earnings rose approximately 7% in 2016 and fourth-quarter management guidance suggests 2017 earnings growth of 5% over 2016 reflecting significant utility infrastructure investment and rate base growth.

Projected capex is expected to bring upward pressure to bear on customer bills, along with the gradual bottoming and expected moderate rise in natural gas and interest rates. While Fitch believes headwinds presented by the bottoming of natural gas and interest rates are manageable, a more significant acceleration in the rate of gain for natural gas prices, interest rates and the general level of inflation than currently expected by Fitch cannot be ruled out and could challenge sector creditworthiness. In this scenario, recovery of rapidly accelerating costs would bring upward pressure to bear on monthly customer bills and potential political resistance to rate increases. Moreover, rising rates erode the industry's competitive position vis-à-vis competing non-emitting technologies, including renewables, energy efficiency, demand-side management and energy storage.

Against this backdrop, BHE management is committed to fighting bypass risk by implementing strict cost controls and efficiencies to minimize O&M and upward pressure on rates. Management has indicated that rate increases at PPW are not anticipated until the end of this decade at the earliest, notwithstanding recent increases in capital investment projections. MEC is not expected to file its next general rate case (GRC) until 2029. Changes in revenue

requirement at NVE's operating utility subsidiaries, NPC and SPPC, in recent, regularly scheduled triennial GRC filing have been flat to lower, and Fitch expects rates to continue in that direction for the foreseeable future.

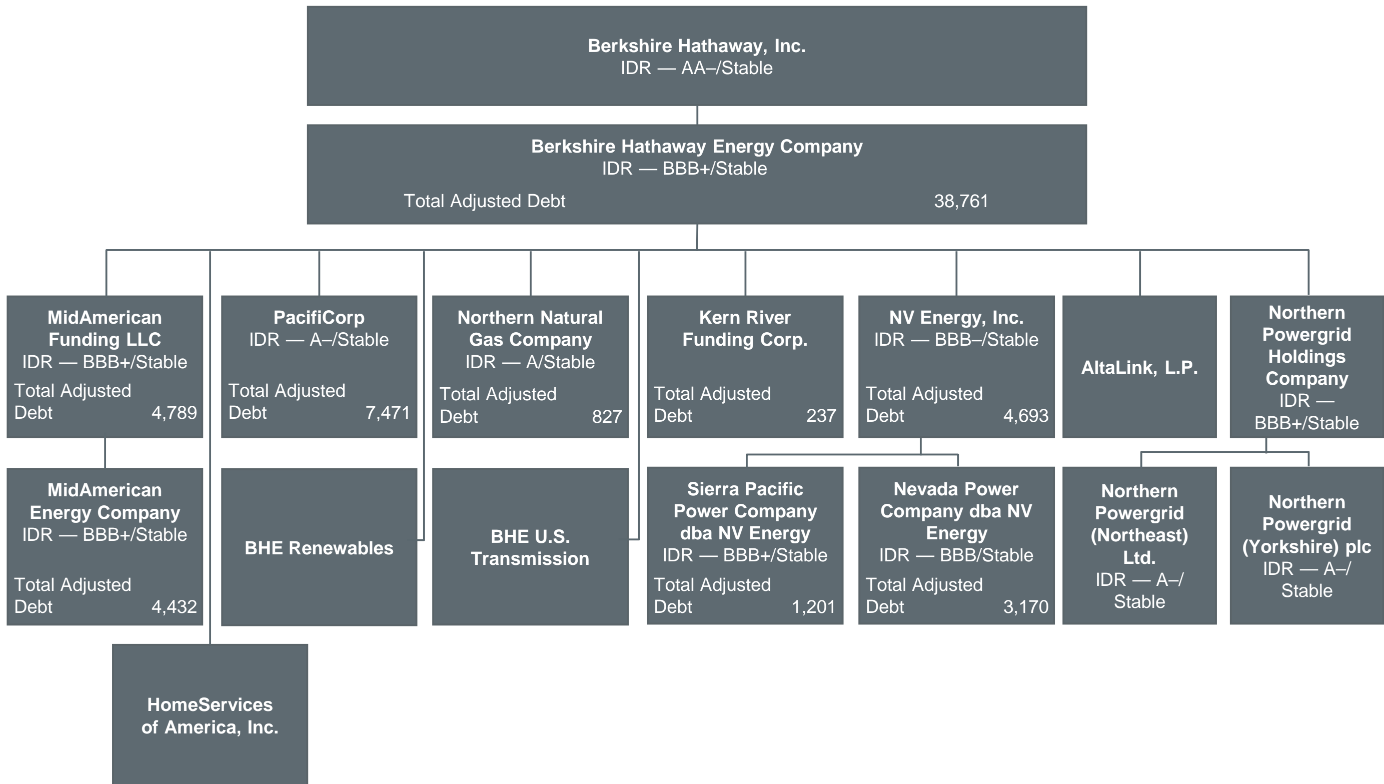
Parent-Subsidiary Rating Dynamics

Fitch utilizes its corporate rating methodology criteria in determining ratings linkage between BHE and its subsidiaries. BHE debt is non-recourse to BRK, and BRK provides no guarantees to BHE. Yet, substantial benefits accrue to BHE (as articulated above) as a result of its affiliation with BRK that support the utility holding company's 'BBB+' IDR. Most important in Fitch's analysis is BHE's ability to retain capital that would otherwise be paid to investors as dividends to attract equity capital if structured as a publicly held, investor-owned utility. In addition, the parent-subsidiary relationship with BRK provides an efficient conduit for monetization of tax benefits, a meaningful advantage in BHE's wind and other renewable resource investments. Finally, BHE also benefits from access to relatively low-cost capital in certain instances.

Fitch also considers covenanted restrictions as well as state jurisdictional capital requirement and other limitations on cash distributions to BHE from its operating subsidiaries. Special purpose entities (SPE) and ring-fence provisions are in place at PPW, NVE, MF, NNG, ALP and NPG. The SPE structure limits legal and operational ties between BHE and its operating utility and gas pipeline subsidiaries. In the case of a weaker parent/stronger subsidiary relationship, Fitch's general rating guideline is for a subsidiary to be rated a maximum two notches above its corporate parent if weak linkage is established.

Rating linkage between BHE and its operating subsidiaries is relatively weak due to the creation of SPEs and ring-fencing provisions. These measures limit financial and operational ties between BHE and its operating subsidiaries. BHE's operating utilities are self-funding and distribute cash to support BHE's funding needs.

Organizational Structure — Berkshire Hathaway Energy Company
($ Mil., As of Dec. 31, 2016)



IDR – Issuer Default Rating.
Source: Company reports, Fitch Ratings.

PacifiCorp

Acquired by BHE in March 2006, PPW provides integrated electric utility service to 1.8 million retail customers in six western U.S. states. Through its Rocky Mountain Power division, PPW serves customers in parts of Utah, Wyoming and Idaho. Its Pacific Power division oversees its western service territory operations serving customers in parts of Oregon, Washington and California. Combined, Utah, Oregon and Wyoming accounted for 85% of PPW's total retail electricity sales in 2014–2016.

Regulatory outcomes across PPW's multistate service territory have been and are expected to remain balanced from a credit perspective, with the exception of Washington. Various riders are in place to facilitate recovery of certain costs outside of GRC proceedings, including fuel adjustment clauses that mitigate commodity price exposure in all of PPW's regulatory jurisdictions. GRC filings have slowed, reflecting management focus on rate stability and lower capex. No GRCs are currently pending across PPW's six-state service territory.

PPW's retail electric rates are competitive regionally, based on weighted average rates. Pacific Power's and Rocky Mountain Power's weighted average retail rates are $0.095/kWh and $0.082/kWh, respectively, which compare with Pacific and Mountain regional average rates of $0.145/kWh and $0.095/kWh, respectively, based on Edison Electric Institute data. While year-over-year capex projections have risen meaningfully, Fitch believes PPW will be able to offset

costs associated with wind and transmission investment via cost reductions, keeping rates flat through 2019.

In September 2016, the Washington Utilities and Transportation Commission (WUTC) authorized a $14 million, two-step rate increase. The rate increase is composed of a $6 million (1.7%) first-step rate increase effective October 2016 and an $8 million (2.3%) second-step rate increase effective September 2017. The rate increases are based on a 9.5% authorized ROE, the same level authorized in PPW's last GRC. In Fitch's opinion, the outcome in this rate proceeding is more balanced from a PPW creditworthiness point of view than previous orders issued by the WUTC in 2015 and 2013. PPW filed its most recent rate case with the WUTC in November 2015, initially requesting a $20 million two-step rate increase. The company requested a first-step increase of $10 million effective May 1, 2016 and a second-step increase of $10.3 million effective May 1, 2017. The WUTC orders in the proceeding adopted PPW's proposed depreciation acceleration program and a decoupling mechanism. The new depreciation schedule is designed to recover all capital costs of the Bridger plant by 2025 and Colstrip Unit 4 by 2032. The WUTC-approved a decoupling mechanism is effective for five years and includes triggering thresholds and caps in the interest of rate stability. The commission also denied PPW a return on emission control equipment installed at Jim Bridger Units 3 and 4.

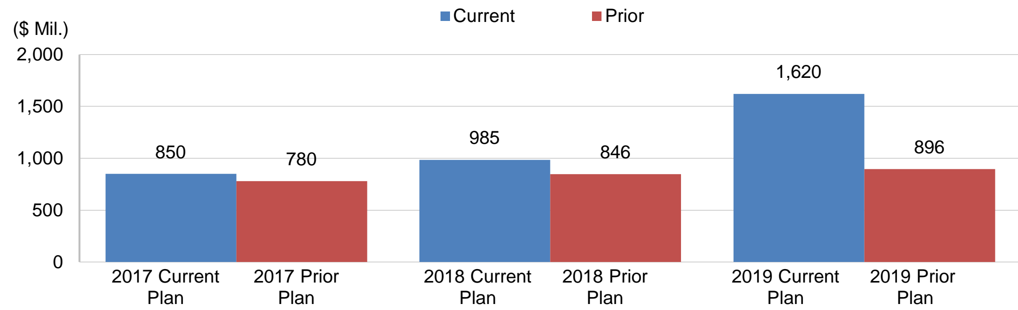
In Fitch's opinion, rulings by the WUTC in GRCs issued March 2015 and December 2013 were unfavorable from a credit point of view. The WUTC orders disallowed costs related to purchased power from qualifying facilities located outside the state of Washington and authorized a below-industry-average ROE of 9.5%. PPW subsequently filed a petition for judicial review of certain findings in the WUTC's December 2013 order. In April 2016, the Washington Court of Appeals affirmed the WUTC order, deferring to the commission's discretion in ratemaking and concluding that the commission did not abuse that discretion. Washington is a relatively small slice of PPW's operations, representing approximately 7% of consolidated 2016 kWh sales. Regulatory outcomes across the remainder of PPW's service territory have been and are expected to continue to be balanced.

In addition to Oregon legislation mandating increased renewable generation and phase-out of coal generation by 2035 discussed in the *What Investors Want to Know* section above, Utah Governor Gary Herbert signed S.B. 115 on March 30, 2016. Enactment of S.B. 115 is a constructive development, in Fitch's opinion, which includes, among other things, authorization of recovery of 100% of net power costs outside of GRC proceedings. The law also requires the Utah Public Service Commission to establish a fund through a change in accounting for energy efficiency programs as a reserve for coal plant exposure. In addition, S.B. 115 establishes and funds a pilot for investment in electric vehicle infrastructure and clean coal research.

PPW's 2017 IRP proposes the addition of 1,100MW of new wind generation in Wyoming that will connect to a new 140-mile 500 kilovolt transmission line from a substation near Medicine Bow, WY to the Jim Bridger power plant. The transmission line will provide access to the new wind generation and relieve congestion. The IRP also includes 905MW of repowered wind generation and calls for retirement of 3,650MW of coal-fired generation by 2036. The wind projects incorporate federal production tax credit (PTC) benefits and are expected to be completed by 2020.

PPW's most recent capex plan (summarized in the bar chart below) includes new wind development of 240MW at an estimated cost of $377 million and repowering of 805MW at an estimated cost of $917 million. PPW's current capital investment plan is 37% higher than the prior capex plan and totals $3.5 billion during 2017–2019, compared with $2.5 billion in the prior plan. If adopted, the IRP is likely to push capex meaningfully higher in 2018 and 2019.

PacifiCorp Capex Projections



Source: Company reports, Fitch Ratings.

MidAmerican Energy

MEC provides utility service to approximately 1.5 million electric and natural gas customers in Iowa, Illinois, South Dakota and Nebraska. Retail customers in Iowa accounted for 91% of electricity sales and 76% of natural gas sales. As discussed above, MEC is a relatively coal-heavy integrated electric utility generator that, with the support of regulators, has been diversifying its generation base to include significant amounts of wind generating capacity. MEC has invested on a cumulative basis $7 billion in wind generation through the end of 2016. In 2016, MEC's total wind generation as a percentage of the utility's Iowa retail electricity sales was 55%. With completion of MEC's Wind XI project, MEC is expected to produce energy from installed wind capacity sufficient to meet 89% of its Iowa retail load in 2020 and its cumulative investment in wind generation is expected to grow to $10.2 billion by year-end 2019.

Efforts by MEC to migrate to a cleaner energy mix to address exposure to environmental regulations include its large wind investment program, installation of pollution control equipment on its existing coal fleet and coal plant retirements. Supported by federal PTCs, the ability to efficiently monetize tax shields via its affiliation with BHE/BRK and a balanced Iowa regulatory compact, MEC is the largest owner of wind generation among U.S. utilities, with more than 4.000MW of installed capacity as of Dec. 31, 2016. In addition, MEC has installed pollution control equipment to meet federal emissions restrictions and retired coal-fired Neal Units 1 and 2 in 2016. The utility's wind development strategy is consistent with Iowa energy policy, and MEC has been able to develop this important clean energy asset base while maintaining very competitive electricity rates. Based on EIA data, MEC's average rate in 2016 was $0.071/kWh, compared with the $0.08/kWh Iowa state average rate and the national average rate of $0.103/kWh. Unsurprisingly, the favorable environmental attributes of MEC's wind investment and well-below-industry-average rate has attracted data centers and other industrial businesses to the utility's service territory. As a result, MEC's retail load has grown at rates above the industry average. Weather-normalized MEC retail load rose 2.6%, 1.8% and 2.9% per annum in 2014, 2015 and 2016, respectively, and is expected to increase 2.5% in 2017 and 1.3% in 2018.

The regulatory regime in Iowa is credit-supportive in Fitch's view. Historical ROEs authorized by the Iowa Utilities Board (IUB) tend to be above-industry-average and investor-owned utilities operating in the state are generally provided a reasonable opportunity to earn their authorized return, in Fitch's opinion. Iowa law permits the IUB to establish ratemaking principles for prospective capital projects. The IUB has approved ratemaking principles for a series of MEC wind projects stretching back several years, with a weighted average ROE of 11.5%. In addition, the IUB has authorized cost recovery mechanisms for major recurring expenses outside of GRC proceedings including: fuel and purchase power, transmission, energy efficiency and expiring federal tax credits.

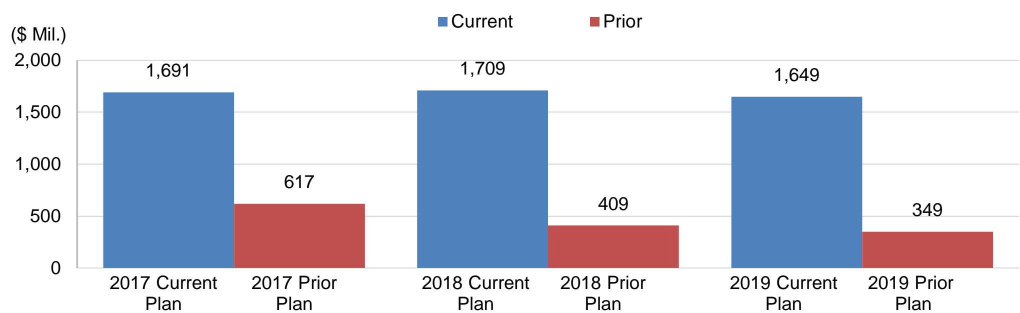
In 2015, the IUB approved ratemaking principles related to the construction of 552MW of additional wind generation related to the utility's Wind X project. Wind X entered commercial operation in the fourth quarter of 2016 and was completed on schedule and under the IUB-approved investment cost cap of $888 million. Installed wind capacity has grown to more than 4,000MW at year-end 2016 from 1,284MW in 2010, more than a threefold increase.

Wind XI is a 2,000MW wind-powered generating project that commenced construction in 2016 and is expected to be completed by the end of 2019 for an estimated maximum cost of $3.6 billion. The IUB issued an order in August 2016 approving ratemaking principles for the planned construction of MEC's 2,000MW Wind XI project. The ratemaking principles establish a cost cap of $3.6 billion, including allowance for funds used during construction (AFUDC), and a fixed rate of ROE of 11% over the proposed 40-year useful lives of those facilities in any future Iowa rate proceeding. The cost cap ensures that as long as total costs are below the cap, the investment will be deemed prudent in any future Iowa rate proceeding.

The IUB-approved Wind XI ratemaking principles modified the revenue-sharing mechanism currently in effect for MEC. The revised sharing mechanism will be effective in 2018 and triggered each year by actual equity returns if they are above the weighted average ROE (as determined by the 'A' rated average utility bond yield plus 400 basis points) for MEC calculated annually. Pursuant to the change in revenue-sharing, MEC will share 100% of the revenue in excess of this trigger with customers. Such revenue sharing will reduce the coal and nuclear generation rate base, which is intended to mitigate future base rate increases. Currently, the revenue sharing mechanism trigger is an 11% ROE, with 80% of MEC net income over the 11% ROE used to reduce rate base and 20% retained by the company up to a 14% ROE. Over 14%, all earnings are used to reduce rate base.

MEC's current capital investment plan includes Wind XI, which explains the sharp increase (approximately $3.7 billion) in its 2017–2019 current capital investment plan versus the prior plan, as illustrated in the bar chart below.

MidAmerican Energy Co. Capex Projections



Source: Company reports, Fitch Ratings.

NV Energy

Through its operating subsidiaries, NPC and SPPC, NVE provides integrated electric and natural gas distribution services to approximately 1.4 million customers in portions of the state of Nevada, including greater Las Vegas, Reno and northern Nevada. The direction of energy policy in Nevada is the subject of robust debate currently and is a source of uncertainty for NVE and its operating subsidiaries from a credit perspective. Fitch views efforts to implement customer choice by 2023 and reinstitute interclass residential subsidies for NM customers to be paid for by non-NM customers as a source of intermediate- to long-term uncertainty for NVE's creditworthiness.

The current legislative session includes several energy-related bills, including formation of a legislative committee to consider implementation of retail customer choice by 2023 should voters support the initiative in a second vote in 2018. Other proposed legislation would roll back commission changes to NM tariffs implemented by the Nevada commission in 2016, and another would expand the state renewable standard to 80% by 2040.

In 2016, the PUCN issued an order establishing separate rate classes for customers with installed distributed renewable generation. The PUCN order also established new rates for existing and prospective NM customers. Tariff changes include higher basic service and lower volumetric charges that are revenue neutral to the utility. In addition, the commission order reduced the credit for customer exports to NVE from the full retail rate to the actual value of excess generation based on the utility's avoided cost, phasing in the lower NM customer credits over 12 years. S.B. 374 enacted in June 2015 directed the PUCN to review NM rates and identify and eliminate unreasonable shifts in costs from NM customers to non-NM customers by year-end 2015. As a result of the NM tariff changes, distributed solar installations ground to a halt, eliciting a sharp political backlash evidenced by the raft of legislative proposals being considered in the current session and the Sandoval administration's reaction.

If NM tariffs are rolled back to their pre-S.B. 374 status as proposed by A.B. 270, higher power supply costs paid by NVE for exports from customer-generators to the grid would be recovered via fuel adjustment clauses. However, lost revenue associated with lower volume would be absorbed by the utility — absent implementation of full revenue decoupling mechanisms — until completion of a subsequent GRC filing. As more customers opt to self-generate, the cross-subsidization of NM customers by non-NM customers will grow, pushing rates for non-NM customers higher and thereby incentivizing more of them to self-generate. This gives rise to an unsustainable cycle of a growing NM customer base subsidized by rising rates for the utility's remaining customers. A.B. 270 as proposed contains no cap on the number of customers permitted to self-generate.

The regulatory compact for NVE's operating utilities is credit supportive, in Fitch's opinion. NPC and SPPC are required by Nevada statute to file GRCs every three years. Test years are historic and adjusted for known and measurable changes. The PUCN is required to issue a decision within 210 days from the GRC filing date. Adjustment clauses have been authorized by the commission for the recovery of purchased power and fuel costs, as well as energy efficiency and conservation program expenses. Twenty-year integrated resource plans are filed every three years and are subject to PUCN review with regard to ultimate inclusion in base rates. Customer choice for large commercial and industrial customers has been in effect since 2002, following enactment of enabling legislation, subject to PUCN approval and payment of exit fees to hold remaining customers harmless.

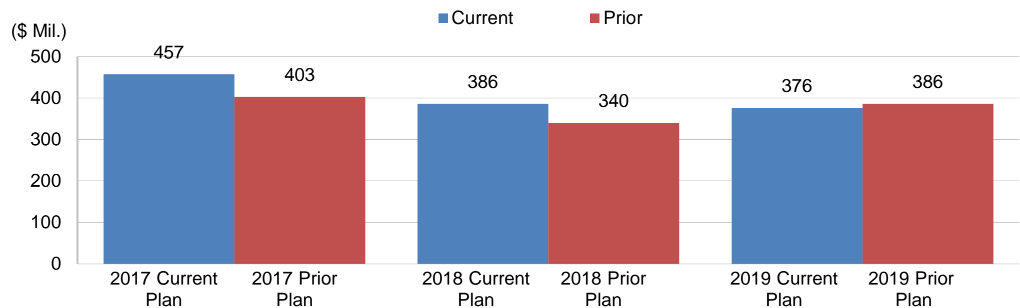
SPPC's last triennial GRC was filed with the PUCN in June 2016. In December 2016, the commission approved a settlement that reduces the utility's electric rates $2.9 million (0.4%)

and gas rates $2.4 million (2.2%) based on 9.6% and 9.5% authorized ROE for the electric and gas operations, respectively. Fitch expects NPC to file its triennial rate case in the second quarter of 2017. Changes in revenue requirements in recent years have been modest, reflecting the companies' manageable capital investment program and focus on cost control and rate stability to combat bypass risk.

Weather-normalized retail load at NPC was essentially flat in 2016 and is expected to decline 3.1% in 2017. The decline in 2017 reflects departure of two large industrial customers (MGM Resorts International and Wynn Las Vegas) to alternative power suppliers. Non-residential load growth drives an expected rebound in higher weather-normalized retail sales of 1.4% in 2018. At SPPC, weather-normalized retail load rose 1.8% in 2016, driven by manufacturing and residential customer growth. Weather-normalized load is expected to rise 0.4% in 2017 and 3.8% in 2018, reflecting increasing data center and manufacturing load growth.

Fitch expects NVE's projected 2017–2018 capex will remain low relative to historic peaks and consistent with management's strategic commitment to customer rate stability. NVE capex is expected to decline to $386 million in 2018 and $376 million in 2019 from $457 million in 2017. Capex over the forecast period is expected to be limited to investment in grid resources to maintain the system and accommodate customer growth. Fitch expects NVE will not contemplate, nor would the PUCN approve, incremental new-build generation until there is greater clarity with regard to retail customer choice.

NV Energy, Inc. Capex Projections



Source: Company reports, Fitch Ratings.

Energy Imbalance Market

PPW and NVE have participated in the California Independent System Operator's (CAISO) Energy Imbalance Market (EIM) since 2014 and 2015, respectively. The EIM is expected to reduce NVE's and PPW's costs to serve customers, providing benefits through more efficient dispatch from a larger, more diverse pool of resources, more effective integration of renewable resources and enhanced reliability through greater situational awareness and responsiveness.

PPW is considering the feasibility, costs and benefits of joining CAISO as a participating transmission owner and has completed a comprehensive benefits study. The results of the study, showing net benefits to constituents, were released in October 2015, along with an extension of the nonbinding memorandum of understanding originally entered into by PPW in April 2015. The results of the study supports further analysis. California S.B. 350 authorizes the California legislature to consider making changes to current laws that would create an independent governance structure for a regional independent system operator in the state's 2017 legislative session. Regulatory approvals would be required if PPW decides to become a participating transmission owner in CAISO. In that scenario, PPW would participate in the day-ahead market operated by the CAISO and the unified planning and operation of PPW's transmission network.

BHE Pipelines

NNG owns and operates a 14,700-mile interstate natural gas transmission pipeline system. NNG transports natural gas to city gates in the Upper Midwest for heating and electric generation, and its business has not seen significant competitive effects from new pipelines. NNG's pipeline operations provide essential natural gas supply under long-term contracts to utilities in the Upper Midwest. NNG's reticulated system is difficult to replicate economically, providing protection against competitive inroads. In addition, shale plays have flattened basis spreads, discouraging greenfield-pipeline development. Concern regarding shipper recontracting risk at NNG is mitigated by the pipeline's low-cost and strong market position in the primary markets it serves in the Upper Midwest. In 2016, NNG completed approximately 1.2 billion cubic feet per day of contract renewals, with a 2% increase in rates. As indicated in the table below, the Field Area, which Fitch believes is more vulnerable to competitive pressure from shale resource development, accounted for 10% of 2016 NNG revenue. Market Area (77%) and Storage (11%) accounted for 88% of 2016 revenue.

Northern Natural Gas Operating Revenue

	2016		2015		2014	
($ Mil., As of Dec. 31)		(%)		(%)		(%)
Market Area Transportation	492	77	474	72	457	63
Field Area Transportation	64	10	84	12	100	14
Total Transportation	**556**	**87**	**558**	**85**	**557**	**77**
Storage	69	11	62	9	61	8
Total Transportation and Storage Revenue	**625**	**98**	**620**	**94**	**618**	**96**
Gas, Liquids and Other Sales	11	2	36	6	106	4
Total Operating Revenue	**636**	**100**	**656**	**100**	**724**	**100**

Source: Berkshire Hathaway Energy Company 10-K.

NNG is the largest interstate natural gas pipeline system in the U.S. based on pipeline miles and is composed of 6,300 miles of mainline transmission pipelines and 8,400 miles of branch and lateral pipelines. The system reaches from Texas to Michigan's Upper Peninsula and is composed of two operationally integrated systems. Its traditional end-use distribution market area in the northern part of its system is referred to as the Market Area and includes points in Iowa, Nebraska, Minnesota, Wisconsin, South Dakota, Michigan and Illinois. Its southern system, referred to as the Field Area, includes points in Kansas, Texas, Oklahoma and New Mexico. NNG's Market Area has a design capacity of 5.8 billion cubic feet (Bcf) per day and Field Area delivery is 1.7 Bcf per day. NNG's pipeline system also has five natural gas storage facilities with a total firm capacity of more than 73 Bcf and 2.0 Bcf per day of peak day delivery capability. NNG has access to five traditional supply regions and direct access to non-traditional (tight sands and shale) supply regions. Average annual deliveries during 2014–2016 were 1,005 Bcf.

Kern River Funding Corp. (KRF) is a financing vehicle for the long-term debt obligations of KRGT, which unconditionally guarantees KRF debt. KRF redeemed its 4.893% notes due 2018 earlier this year. As a result, there is no debt outstanding at KRF, and no debt is expected to be issued by the company consistent with its Federal Energy Regulatory Commission (FERC) rates. KRGT owns and operates a 1,700-mile interstate natural gas transmission pipeline system. The pipeline delivers natural gas from the Rocky Mountain basin to markets in Utah, Nevada, California and Arizona. KRGT serves growing areas in Salt Lake City, southern Nevada and Southern California. Design capacity is 2.2 million dekatherms per day of natural gas. Approximately 91% of capacity is under long-term contracts maturing 2018–2033, with a weighted average contract life of eight years. The FERC approved an uncontested settlement earlier this year that allows KRF to establish an alternate, lower set of period 2 rates for shippers versus current rates. Ninety-four percent of period 1 shipper contracts expiring in 2016–2017 elected to extend their contracts at period 2 rates.

BHE Transmission / AltaLink, L.P.

BHE Transmission accounted for approximately 7% of BHE's consolidated EBITDA and is composed of BHE's wholly owned Canadian transmission utility ALP and BHE's U.S. transmission projects. BHE develops, owns and operates transmission assets and is pursuing investment opportunities in the U.S. and Canada.

ALP plays a key role in the Province of Alberta's energy infrastructure and the achievement of the province's energy policy goals. The provincial economy has been hit hard by declining energy prices and economic activity. Alberta's unemployment rate stood at 8.1% in December 2016 compared with the 7.0% Canadian average. While signs of improvement in the local economy are emerging, supported by job gains in four of the five last months, the sluggish economy has delayed oil and gas grid connections offset by renewable energy connection requests. The soft economy underscores the need for rate stability, and capex is expected to normalize at relatively low levels. Capex at ALP is expected to approximate C$600 million and C$300 million, respectively, in 2017 and 2018 compared with a recent peak of C$1.8 billion in 2014. In the long term, growth is expected to be driven by Alberta's Climate Leadership Plan, which eliminates coal generation in Alberta by 2030, replacing it with a one-third/two-thirds mix of wind/gas generation.

ALP operates solely in the Alberta transmission market, where it provides access to wholesale markets to power generators, utilities, retailers and industrial users. The utility is not subject to commodity or volumetric risk. Counterparty credit risk is significantly reduced by exclusive billings to the Alberta Electric System Operator (AESO), a financially robust off-taker. The

Alberta electricity market was restructured under the Electric Utilities Act in the mid-1990s. Power generation was deregulated and the regulated transmission and distribution businesses separated from competitive businesses (i.e. generation and retail supply). ALP purchased the transmission assets of TransAlta Corporation in 2002 and was the first investor-owned transmission company in Canada. ALP is regulated by the Alberta Utilities Commission (AUC), which under the Electric Utilities Act is charged with providing ALP with a reasonable opportunity to recover prudently incurred and forecasted costs and a fair return on investment. Rates are established based on a forecasted test year on a cost-of-service basis. Once approved, revenue is paid to ALP by the AESO in monthly installments.

Transmission project requirements are determined by the AESO and assigned to transmission facility owners, including ALP. Projects assigned by the AESO are approved by the AUC before construction. ALP files general tariff applications (GTA) biannually and generic cost-of-capital (GCOC) proceedings are bifurcated from GTAs. In ALP's 2016 GCOC proceeding, the AUC authorized an 8.3% ROE for 2016 and 8.5% for 2017 and an equity ratio of 37% for 2016 and 2017. The AUC-authorized ROE and equity ratios for 2016 and 2017 are an improvement to ROE and equity ratio authorizations of 8.3% and 36%, respectively, in 2013–2015.

In the U.S., BHE owns a 50% interest in Electric Transmission Texas, LLC (ETT) along with subsidiaries of American Electric Power Co. (AEP). ETT owns and operates transmission assets in ERCOT and is regulated by the Public Utility Commission of Texas. As of Dec. 30, 2016, ETT had a total of $2.7 billion of projects in service and expects to complete an additional $300 million of projects through 2020. BHE Transmission also owns a 25% interest in Prairie Wind Transmission, LLC, a joint venture with AEP and Westar Energy. Prairie Wind is a 108-mile, 345kv transmission line that cost $158 million and was placed in service in November 2014.

Northern Powergrid Holdings Company

NPG, through the group's two network operating businesses (DNOs), Northern Powergrid (Northeast) Limited and Northern Powergrid (Yorkshire) plc, serves 3.9 million end users in northern England and accounted for approximately 9% of BHE's consolidated 2016 EBITDA. NPG is in the middle of an eight-year regulatory price control period and appears to be off to a solid start. Total expenditures for the 2015/2016 regulatory year are at 97% of allowances and outputs 14% ahead of target, positioning NPG to effectively deliver on its commitments over the eight-year price control. The current electricity price control became effective April 1, 2015 and is expected to continue through March 31, 2023. The new ED1 price control is stricter and more difficult to outperform than the previous DPCR5. Allowed return on regulatory equity, cost of debt and total expenditure are lower than DPCR5. Final determinations for the current price control were published November 2014 by the office of gas and electric markets and appealed by NPG. The appeal authority allowed part of NPG's appeal, awarding GBP30 million in additional expenditure allowances. Projected capex in BHE's current plan for NPG of GPB1.2 billion is GBP196 million higher than the prior plan, reflecting growth in the DNOs' smart meter rental business.

NPG's DNOs operate in an area covering 10,000 miles from North Northumberland through Tyne and Wear, County Durham and Yorkshire to North Lincolnshire. Suppliers purchase electricity from generators and sell the electricity to customers using NPG's distribution network to transport power from the supplier to end user. Under the U.K. regulatory regime, variations in demand from end users have no effect on the total revenue that NPG's DNOs are permitted to recover in a price control period.

BHE Renewables, LLC

BHE Renewables' strategy is focused on direct ownership of utility-scale wind and solar assets with long-term off-take agreements and tax equity investment in hedged or contracted utility-scale wind projects. BHE Renewables' portfolio of net owned capacity as of Jan. 31, 2017 totaled 4,082MW and was composed of 36% solar, 28% wind, 24% natural gas, 8% geothermal and 4% hydroelectric. Sixty-nine percent of the company's off-take contracts mature after 2029, 7% during 2020–2029 and 24% in 2017–2019. In January 2017, BHE Renewables acquired the 110MW Alamo 6 solar project in Texas for $385 million and plans to spend approximately $218 million constructing community solar gardens in Minnesota. BHE Renewables is pursuing an interconnection agreement for a 50MW battery storage facility at its Solar Star site to be bid into the California energy storage market.

Berkshire Hathaway Energy and Subsidiaries – Credit Summary

BHE's ratings reflect the favorable impact of BRK's 90% ownership of BHE by BRK. Ownership of BHE by BRK affords the former with the ability to retain capital typically paid out in the form of dividends by publicly held investor-owned utilities. This dynamic is a function of BRK's strong credit profile, large cash position and investment appetite. As a result, Fitch estimates that BHE will be FCF positive and that consolidated debt will decline 2016–2020. Through affiliation with BRK, BHE is able to monetize tax benefits and fund strategic growth opportunities more efficiently than it could as an independent, publicly held company.

M&A activity and the associated increase in BHE parent-company leverage following the acquisitions of NVE and ALP pressured BHE's consolidated credit metrics in 2014. Fitch projects BHE funds FFO coverage and leverage ratios will be in the ranges of 3.9x–4.1x and 4.6x–4.8x, respectively, during 2017–2020.

PPW's ratings and Stable Outlook reflect the utility's strong credit metrics, balanced jurisdictional regulatory environment, relatively low business risk profile and retail rates that are well below the industry average. Fitch forecasts FFO fixed-charge coverage and FFO-adjusted leverage will approximate 4.9x and 3.7x or better, respectively, consistent with target medians with the 'A–' IDR. The utility's multistate service territory and diversified regulatory environment support the ratings and Stable Outlook. The vast majority of PPW regulatory decisions across PPW's six-state service territory have been and are expected to continue to be balanced from a credit perspective. Various riders are in place to facilitate recovery of certain costs outside of GRCs, including fuel adjustment clauses that mitigate commodity price exposure in all of PPW's regulatory jurisdictions. Washington regulation remains challenging with some evidence of improvement, in Fitch's view, based on a reasonable outcome in PPW's most recent rate case.

Slowing PPW service territory load growth trends are driven primarily, in Fitch's view, by energy efficiency gains and are a source of some uncertainty, along with the impact of environmental rules and regulations on PPW's coal-fired generation. Fitch believes these dynamics, along with the recent upsizing in PPW's capex program are manageable within the regulatory compact and unlikely to meaningfully weaken PPW's creditworthiness in the near-to-intermediate term.

MF is an intermediate holding company owned by BHE. MF in turn owns MEC and is dependent on distributions from the utility to meet its ongoing obligations. MF and MEC's ratings and their respective Stable Outlooks reflect the utility's relatively low business risk profile, solid FFO metrics, a cleaner fuel mix in recent years and a credit-supportive regulatory environment in Iowa. The IUB issued an order in August 2016 approving ratemaking principles

for Wind XI that include a cost cap of $3.6 billion, including AFUDC, and a fixed 11.0% ROE over the proposed 40-year useful lives of those facilities in any future Iowa rate proceeding. As long as total costs are below the cap, the investment is expected to be deemed prudent in any future Iowa rate proceeding. Additionally, the Wind XI ratemaking principles modify the revenue sharing mechanism currently in effect at MEC. In its last GRC, the IUB authorized a $266 million rate increase phase-in over several years. The final $45 million rate increase was effective Jan. 1, 2016. In addition, the IUB authorized energy and transmission cost adjustment mechanisms and a mechanism to recover expiring production tax benefits in rates. MEC has significantly diversified its fuel mix via meaningful new-build wind generation while maintaining rates that that are competitive regionally and compared with the national average.

Fitch estimates that MF and MEC's financial metrics will remain consistent with current rating levels based on Fitch's target medians and peer comparisons. The utility's FFO fixed-charge coverage and FFO-adjusted leverage ratios are expected to remain strong, in the ranges of 5.7x–6.9x and 3.2x–3.5x, respectively, during 2017–2020. Similarly, MF's FFO fixed-charge coverage and FFO-adjusted leverage ratios are estimated at 5.3x–6.2x and 3.4x–3.7x, respectively, during 2017–2020.

The ratings affirmation and Positive Outlooks for NVE, NPC and SPPC reflect solid credit metrics that are consistent with 'BBB' target medians. The ratings and outlooks also consider the balanced Nevada regulatory compact, manageable leverage, improving regional economic conditions and modest sales growth. Fitch expects resolution of the Outlooks will turn on regulatory/legislative developments in 2017. An active legislative session is expected in Nevada in 2017 with regard to energy policy, and Fitch anticipates NPC will file a GRC later in 2017, as well. Constructive outcomes on these fronts could result in a one-notch upgrade for NVE, NPC and SPPC. The regulatory compact for NVE's operating utilities is credit supportive, in Fitch's opinion. NVE's adjusted debt/operating EBITDAR, based on Fitch' projections, improves to 3.6x in 2020 from 3.9x in 2017, and FFO-adjusted leverage is estimated in a range of 4.2x–4.6x in 2017–2020, levels consistent with mid-'BBB' credit ratings. NVE's solid credit metrics, affiliation with BHE and a continued supportive regulatory/political construct in Nevada could result in a credit rating upgrade within 12–18 months.

In December 2016, the PUCN issued an order adopting the settlement filed by SPPC in its October 2016 GRC. The filed settlement did not resolve rate design issues associated with net metering. In addition to adopting the settlement's proposed $2.9 million electric and $2.4 million gas rate decreases, the commission authorized net metering using full retail requirement rates for up to 6MW of capacity, noting that its decision was case-specific and not precedent-setting.

The ratings and Stable Outlook for NNG reflect the pipeline's strong business position and relatively low business risk profile. NNG's natural gas transportation system is an essential source of contracted supply to its Upper Midwest utility customer base. Counterparty credit risk is ameliorated by the pipeline's diverse group of primarily highly rated off-takers with multiyear contracts. NNG's ratings also consider the pipeline operator's constructive regulatory compact and its consistent ability to earn a reasonable ROE, typically in the low double digits. Fitch projects NNG FFO coverage and leverage of 6.4x–8.0x and 2.4x–3.0x, respectively, in 2017–2020, levels consistent with NNG's 'A' IDR. Recontracting risk and more stringent rules regarding pipeline integrity and related issues are potential sources of concern for NNG. Fitch believes these concerns are manageable within NNG's current rating category given its competitive market position and ongoing infrastructure investment.

Financial Overview

Liquidity and Debt Structure

Fitch believes BHE's liquidity position is solid and likely to strengthen over the forecast period, given its strong projected 2017–2021 FCF profile. As of Dec. 31, 2016, Fitch calculates total BHE consolidated liquidity of $4.7 billion as summarized in the table below. Consolidated BHE liquidity is composed of approximately $4 billion of remaining borrowing capacity under BHE parent and subsidiary credit facilities and cash and cash equivalents of $721 million as of Dec. 31, 2016. BHE and its operating subsidiaries have credit facilities with total undrawn borrowing capacity of $6.4 billion. BHE debt maturities, in Fitch's view, are manageable in 2017–2021. Scheduled debt maturities at BHE and its operating subsidiaries total $9 billion during 2017–2021, ranging from a low of $823 million in 2021 to a high of $3.5 billion in 2018.

Liquidity Summary

($ Mil.)	12/31/15	12/31/16
Total Cash and Cash Equivalents	1,108.0	721.0
Short-Term Investments	0.0	0.0
Less: Not Readily Available Cash and Cash Equivalents	(0.0)	(0.0)
Fitch-Defined Readily Available Cash and Cash Equivalents	1,108.0	721.0
Availability Under Committed Lines of Credit	5,032.0	4,019.0
Total Liquidity	**6,140.0**	**4,740.0**

Source: Company filings, Fitch Ratings.

Scheduled Debt Maturities

($ Mil.)	12/31/16
Dec. 31, 2017	1,006.0
Dec. 31, 2018	3,544.0
Dec.31, 2019	2,099.0
Dec. 31, 2020	1,552.0
Dec. 31, 2021	823.0
Thereafter	27,271.0
Total Debt Maturities	**36,295.0**

Source: Company filings, Fitch Ratings

Appendix A: Peer Group Financials

Peer Group Historical Financials — Berkshire Hathaway Energy Company

($ Mil.)	Duke Energy Corporation 12/31/16	American Electric Power Company, Inc. 12/31/16	Dominion Resources, Inc. 12/31/16	Berkshire Hathaway Energy Company 12/31/16
Statement Type	Original	Original	Original	Original
Issuer Default Rating	BBB+	BBB	BBB+	BBB+
Outlook	Rating Outlook Negative	Rating Outlook Stable	Rating Outlook Stable	Rating Outlook Stable
Profitability (%)				
Operating EBITDAR Margin	41.6	33.0	47.5	40.2
Operating EBITDA Margin	40.5	31.6	46.7	39.3
Operating EBIT Margin	23.4	21.3	30.9	24.4
FFO Margin	28.2	26.1	35.9	33.7
FCF Margin	(16.5)	(10.6)	(31.4)	5.5
Return on Capital Employed (ROCE)	4.6	6.3	6.4	5.4
Gross Leverage (x)				
Total Adjusted Debt/Op. EBITDAR	5.5	4.1	6.3	5.5
FFO Adjusted Leverage	6.2	4.2	6.4	5.0
FCF/Total Adjusted Debt (%)	(7.2)	(7.8)	(10.5)	2.5
Total Debt with Equity Credit/Op. EBITDA	5.5	4.0	6.2	5.5
Total Secured Debt/Op. EBITDA	5.2	0.1	—	—
Total Adj. Debt/(CFO Before Lease Expense – Maint. Capex)	(44.6)	(61.6)	(18.9)	34.5
Net Leverage (x)				
Total Adjusted Net Debt/Op. EBITDAR	5.5	4.1	6.2	5.4
FFO-Adjusted Net Leverage	6.2	4.1	6.3	4.9
Total Net Debt/(CFO – Capex)	(35.3)	(34.2)	(17.3)	38.1
Coverage (x)				
Op. EBITDAR/(Interest Paid + Lease Expense)	4.6	4.8	4.4	3.5
Op. EBITDA/Interest Paid	5.1	5.8	4.7	3.7
FFO Fixed-Charge Coverage	4.1	4.8	4.3	3.9
FFO Interest Coverage	4.6	5.8	4.6	4.1
CFO/Capex	0.8	0.9	0.7	1.2
Debt Summary				
Total Debt with Equity Credit	50,382	19,998	34,136	37,513
Total Adjusted Debt with Equity Credit	52,318	21,798	34,968	38,761
Lease-Equivalent Debt	1,936	1,800	832	1,248
Other Off-Balance-Sheet Debt	—	—	—	—
Interest (Paid)	(1,794)	(865)	(1,169)	(1,854)
Implied Cost of Debt (%)	3.9	4.5	3.7	4.8
Cash Flow Summary				
Funds from Operations (FFO)	6,409	4,175	4,212	5,865
Change in Working Capital (Fitch-Defined)	383	27	(85)	191
Cash Flow from Operations (CFO)	6,792	4,202	4,127	6,056
Non-Operating/Non-Recurring Cash Flow	—	—	—	—
Capex	(8,208)	(4,781)	(6,085)	(5,090)
Common Dividends (Paid)	(2,332)	(1,121)	(1,727)	—
FCF	(3,748)	(1,700)	(3,685)	966
Acquisitions and Divestitures	(4,778)	(236)	(4,421)	(66)
Net Debt Proceeds	5,868	1,606	4,858	(625)
Net Equity Proceeds	731	34	3,124	—
Other Investing and Financing Cash Flow	1,462	331	(222)	(662)
Total Change in Cash and Equivalents	(465)	35	(346)	(387)

Continued on next page.
Source: Company reports, Fitch Ratings.

Peer Group Historical Financials — Berkshire Hathaway Energy Company (Continued)

($ Mil.)	Duke Energy Corporation 12/31/16	American Electric Power Company, Inc. 12/31/16	Dominion Resources, Inc. 12/31/16	Berkshire Hathaway Energy Company 12/31/16
Liquidity				
Readily Available Cash and Equivalents	392	211	261	721
Availability under Committed Credit Lines	5,863	2,460	2,260	4,019
Not Readily Available Cash and Equivalents	—	—	—	—
Working Capital				
Net Working Capital (Fitch-Defined)	2,285	(80)	1,249	255
Trade Accounts Receivable (Days)	42.4	43.7	47.4	36.7
Inventory Turnover (Days)	186.6	61.6	192.4	78.2
Trade Accounts Payable (Days)	158.6	107.6	126.3	111.4
Capital Intensity (%)	36.1	29.9	51.8	29.2
Income Statement				
Revenue	22,743	15,997	11,737	17,422
Revenue Growth (%)	(3.1)	(0.2)	0.5	(2.6)
Operating EBITDAR	9,454	5,279	5,580	6,998
Operating EBITDAR After Dividends to Associates and Minorities	9,448	5,279	5,580	6,998
Operating EBITDA	9,212	5,054	5,476	6,842
Operating EBITDA After Dividends to Associates and Minorities	9,206	5,054	5,476	6,842
Operating EBIT	5,332	3,411	3,627	4,251
Miscellaneous				
Total Debt/Capitalization (%)	55.1	53.4	67.0	60.5
Total Equity/Capitalization (%)	44.9	46.6	33.0	39.5
Return on Equity (ROE) (%)	5.2	3.5	14.5	10.4
Interest Received	21	16		120
Preferred Dividends (Paid)	—	—	—	—
Converted to USD from the Following:	USD	USD	USD	USD
Spot FX Rates Used per Statement	1.000	1.000	1.000	1.000
Avg. FX Rates Used per Statement	1.000	1.000	1.000	1.000

Source: Company reports, Fitch Ratings.

Peer Group Historical Financials — PacifiCorp

($ Mil.)	Public Service Company of Colorado 12/31/16	Duke Energy Ohio, Inc. 12/31/16	Southern California Edison Company 12/31/16	PacifiCorp 12/31/16
Statement Type	Original	Original	Original	Original
Issuer Default Rating	A–	WD	A–	A–
Outlook	Rating Outlook Stable	—	Rating Outlook Stable	Rating Outlook Stable
Profitability (%)				
Operating EBITDAR Margin	33.4	30.8	36.9	42.5
Operating EBITDA Margin	33.0	29.9	36.4	42.2
Operating EBIT Margin	22.0	17.7	18.7	27.4
FFO Margin	28.7	22.7	27.8	34.2
FCF Margin	(7.0)	(3.9)	(7.9)	(4.0)
Return on Capital Employed (ROCE)	6.6	5.3	4.8	6.7
Gross Leverage (x)				
Total Adjusted Debt/Op. EBITDAR	3.3	3.4	2.9	3.4
FFO-Adjusted Leverage	3.3	3.8	3.2	3.4
FCF/Total Adjusted Debt	(6.3)	(3.7)	(7.3)	(2.8)
Total Debt with Equity Credit/Op. EBITDA	3.3	3.3	2.8	3.3
Total Secured Debt/Op. EBITDA	3.2	0.0	—	3.2
Total Adj. Debt/(CFO Before Lease Expense – Maint. Capex)	66.4	(58.9)	(304.0)	11.0
Net Leverage (x)				
Total Adjusted Net Debt/Op. EBITDAR	3.3	3.4	2.9	3.4
FFO-Adjusted Net Leverage	3.3	3.7	3.2	3.4
Total Net Debt/(CFO – Capex)	84.2	(37.7)	(110.8)	11.0
Coverage (x)				
Op. EBITDAR/(Interest Paid + Lease Expense)	7.2	5.4	6.9	5.6
Op. EBITDA/Interest Paid	7.8	6.2	7.6	5.8
FFO Fixed Charge Coverage	7.2	5.0	5.3	5.5
FFO Interest Coverage	7.8	5.6	5.8	5.7
CFO/Capex	1.0	0.9	1.0	1.7
Debt Summary				
Total Debt with Equity Credit	4,385	1,935	12,224	7,351
Total Adjusted Debt with Equity Credit	4,513	2,063	12,768	7,471
Lease-Equivalent Debt	128	128	544	120
Other Off-Balance-Sheet Debt	—	—	—	—
Interest (Paid)	(172)	(94)	(564)	(380)
Implied Cost of Debt (%)	4.0	5.2	4.3	5.2
Cash Flow Summary				
Funds from Operations (FFO)	1,163	442	3,287	1,777
Change in Working Capital (Fitch-Defined)	3	(17)	236	(209)
Cash Flow from Operations (CFO)	1,166	425	3,523	1,568
Non-Operating/Non-Recurring Cash Flow	—	—	—	—
Capex	(1,114)	(476)	(3,633)	(903)
Common Dividends (Paid)	(337)	(25)	(824)	(875)
FCF	(285)	(76)	(934)	(210)
Acquisitions and Divestitures	—	—	—	—
Net Debt Proceeds	230	201	502	182
Net Equity Proceeds	39		169	
Other Investing and Financing Cash Flow	18	(126)	276	33
Total Change in Cash and Equivalents	2	(1)	13	5
Liquidity				
Readily Available Cash and Equivalents	6	13	39	17
Availability Under Committed Credit Lines	568	409	1,890	588
Not Readily Available Cash and Equivalents	—	—	—	—

WD – Withdrawn. *Continued on next page.*
Source: Company reports, Fitch Ratings.

Peer Group Historical Financials — PacifiCorp (Continued)

($ Mil.)	Public Service Company of Colorado 12/31/16	Duke Energy Ohio, Inc. 12/31/16	Southern California Edison Company 12/31/16	PacifiCorp 12/31/16
Working Capital				
Net Working Capital (Fitch-Defined)	118	(205)	(82)	518
Trade Accounts Receivable (Days)	55.1	37.6	33.0	51.1
Inventory Turnover (Days)	45.0	83.9	19.3	92.3
Trade Accounts Payable (Days)	105.9	211.3	108.4	85.0
Capital Intensity (%)	27.5	24.5	30.7	17.4
Income Statement				
Revenue	4,048	1,944	11,830	5,201
Revenue Growth (%)	(2.8)	2.0	3.0	(0.6)
Operating EBITDAR	1,353	598	4,370	2,211
Operating EBITDAR After Dividends to Associates and Minorities	1,353	598	4,370	2,211
Operating EBITDA	1,337	582	4,302	2,196
Operating EBITDA After Dividends to Associates and Minorities	1,337	582	4,302	2,196
Operating EBIT	891	345	2,217	1,426
Miscellaneous				
Total Debt/Capitalization (%)	45.4	39.2	50.0	49.9
Total Equity/Capitalization (%)	54.6	60.8	59.2	50.1
Return on Equity (ROE) (%)	8.8	7.6	10.4	10.3
Interest Received	2	5	3	—
Preferred Dividends (Paid)	—	—	(123)	—
Converted to USD from the Following:	USD	USD	USD	USD
Spot FX Rates Used per Statement	1.000	1.000	1.000	1.000
Avg. FX Rates Used per Statement	1.000	1.000	1.000	1.000

Source: Company reports, Fitch Ratings.

Peer Group Historical Financials — MidAmerican Funding LLC

($ Mil.)	CenterPoint Energy Houston Electric, LLC 12/31/16	Black Hills Corp. 12/31/16	Union Electric Co. 12/31/16	MidAmerican Funding LLC 12/31/16
Statement Type	Original	Original	Original	Original
Issuer Default Rating	BBB+	BBB+	BBB+	BBB+
Outlook	Rating Outlook Stable	Rating Outlook Stable	Rating Outlook Stable	Rating Outlook Stable
Profitability (%)				
Operating EBITDAR Margin	38.2	33.6	39.0	39.9
Operating EBITDA Margin	38.1	33.0	38.0	39.7
Operating EBIT Margin	20.8	21.0	21.1	21.5
FFO Margin	25.5	24.1	33.3	50.7
FCF Margin	(10.8)	(16.0)	2.1	(9.2)
Return on Capital Employed (ROCE)	5.9	6.5	5.8	3.7
Gross Leverage (x)				
Total Adjusted Debt/Op. EBITDAR	2.7	6.6	2.9	4.6
FFO-Adjusted Leverage	3.3	6.5	2.9	3.1
FCF/Total Adjusted Debt (%)	(10.6)	(7.3)	1.8	(5.1)
Total Debt with Equity Credit/Op. EBITDA	2.7	6.6	2.8	4.6
Total Secured Debt/Op. EBITDA	5.0	5.7	2.8	4.5
Total Adj. Debt/(CFO Before Lease Expense – Maint. Capex)	(18.5)	(22.4)	8.8	(20.0)
Net Leverage (x)				
Total Adjusted Net Debt/Op. EBITDAR	2.3	6.6	2.9	4.6
FFO-Adjusted Net Leverage	2.9	6.5	2.9	3.1
Total Net Debt/(CFO – Capex)	(15.9)	(20.4)	8.8	(19.5)
Coverage (x)				
Op. EBITDAR/(Interest Paid + Lease Expense)	7.4	3.5	5.9	5.0
Op. EBITDA/Interest Paid	7.4	3.7	6.8	5.1
FFO Fixed-Charge Coverage	5.9	3.5	5.9	7.4
FFO Interest Coverage	6.0	3.7	6.7	7.5
CFO/Capex	0.8	0.7	1.6	0.9
Debt Summary				
Total Debt with Equity Credit	2,614	3,340	3,777	4,757
Total Adjusted Debt with Equity Credit	2,622	3,420	4,049	4,789
Lease-Equivalent Debt	8	80	272	32
Other Off-Balance-Sheet Debt	—	—	—	—
Interest (Paid)	(132)	(139)	(198)	(204)
Implied Cost of Debt (%)	5.1	5.3	5.1	4.3
Cash Flow Summary				
Funds From Operations (FFO)	658	379	1,172	1,335
Change in Working Capital (Fitch-Defined)	61	(67)	(6)	58
Cash Flow from Operations (CFO)	719	312	1,166	1,393
Non-Operating/Non-Recurring Cash Flow	—	—	—	—
Capex	(862)	(475)	(738)	(1,636)
Common Dividends (Paid)	(135)	(88)	(355)	
FCF	(278)	(251)	73	(243)
Acquisitions and Divestitures	—	(1,113)	—	—
Net Debt Proceeds	(302)	623	(117)	132
Net Equity Proceeds	374	122	44	
Other Investing and Financing Cash Flow	283	192	(199)	23
Total Change in Cash and Equivalents	77	(427)	(199)	(88)

Continued on next page.
Source: Company reports, Fitch Ratings.

Peer Group Historical Financials — MidAmerican Funding LLC

($ Mil.)	CenterPoint Energy Houston Electric, LLC 12/31/16	Black Hills Corp. 12/31/16	Union Electric Co. 12/31/16	MidAmerican Funding LLC 12/31/16
Liquidity				
Readily Available Cash and Equivalents	341	14	0	15
Availability Under Committed Credit Lines	296	617	1,000	506
Not Readily Available Cash and Equivalents	—	2	—	—
Working Capital				
Net Working Capital (Fitch-Defined)	159	(40)	149	59
Trade Accounts Receivable (Days)	61.2	61.0	36.6	39.8
Inventory Turnover (Days)	—	78.3	136.8	123.5
Trade Accounts Payable (Days)	—	111.9	178.7	141.3
Capital Intensity (%)	33.4	30.2	20.9	62.2
Income Statement				
Revenue	2,577	1,573	3,523	2,631
Revenue Growth (%)	9.7	20.5	(2.4)	(23.1)
Operating EBITDAR	984	529	1,373	1,049
Operating EBITDAR After Dividends to Associates and Minorities	984	519	1,373	1,049
Operating EBITDA	983	519	1,339	1,045
Operating EBITDA After Dividends to Associates and Minorities	983	509	1,339	1,045
Operating EBIT	536	330	745	566
Miscellaneous				
Total Debt/Capitalization (%)	55.3	65.8	48.5	43.9
Total Equity/Capitalization (%)	44.7	34.2	52.5	56.1
Return on Equity (ROE) (%)	13.0	4.5	8.8	8.7
Interest Received	—	1	28	—
Preferred Dividends (Paid)	—	—	(3)	—
Converted to USD from the Following:	USD	USD	USD	USD
Spot FX Rates Used per Statement	1.000	1.000	1.000	1.000
Avg. FX Rates Used per Statement	1.000	1.000	1.000	1.000

Source: Company reports, Fitch Ratings.

Peer Group Historical Financials — NV Energy, Inc.

($ Mil.)	Southwestern Public Service Company 9/30/16	Monongahela Power Co. 9/30/16	Indiana Michigan Power Co. 9/30/16	NV Energy, Inc. 9/30/16
Statement Type	Original	Original	Original	Original
Issuer Default Rating	BBB	BBB–	BBB–	BBB–
Outlook	Rating Outlook Stable	Rating Outlook Stable	Rating Outlook Stable	Rating Outlook Positive
Profitability (%)				
Operating EBITDAR Margin	26.2	22.2	31.9	40.0
Operating EBITDA Margin	25.8	21.6	27.9	39.3
Operating EBIT Margin	16.5	14.2	19.0	25.3
FFO Margin	22.5	23.0	33.2	33.3
FCF Margin	(15.5)	(1.1)	0.3	3.3
Return on Capital Employed (ROCE)	6.4	6.2	5.0	6.7
Gross Leverage (x)				
Total Adjusted Debt/Op. EBITDAR	4.0	4.1	4.2	3.9
FFO-Adjusted Leverage	4.0	3.2	3.3	3.6
FCF/Total Adjusted Debt (%)	(14.7)	(1.2)	0.2	2.1
Total Debt with Equity Credit/Op. EBITDA	4.0	4.0	3.6	3.9
Total Secured Debt/Op. EBITDA	2.3	—	0.0	—
Total Adj. Debt/(CFO Before Lease Expense - Maint. Capex)	(10.0)	13.0	13.3	9.0
Net Leverage (x)				
Total Adjusted Net Debt/Op. EBITDAR	3.6	4.1	4.2	3.6
FFO-Adjusted Net Leverage	3.5	3.2	3.3	3.4
Total Net Debt/(CFO – Capex)	(8.4)	13.3	16.6	8.4
Coverage (x)				
Op. EBITDAR/(Interest Paid + Lease Expense)	6.4	4.3	3.8	4.1
Op. EBITDA/Interest Paid	6.9	4.8	6.4	4.4
FFO Fixed-Charge Coverage	6.5	5.5	4.9	4.5
FFO Interest Coverage	7.0	6.1	8.4	4.7
CFO/Capex	0.6	1.5	1.2	1.8
Debt Summary				
Total Debt with Equity Credit	1,850	1,359	2,177	4,533
Total Adjusted Debt with Equity Credit	1,898	1,455	2,881	4,693
Lease-Equivalent Debt	48	96	704	160
Other Off-Balance-Sheet Debt	—	—	—	—
Interest (Paid)	(67)	(72)	(94)	(269)
Implied Cost of Debt (%)	3.9	5.3	4.6	5.7
Cash Flow Summary				
Funds from Operations (FFO)	403	367	711	998
Change in Working Capital (Fitch-Defined)	(58)	(41)	(52)	93
Cash Flow from Operations (CFO)	345	326	659	1,091
Non-Operating/Non-Recurring Cash Flow	0		0	
Capex	(541)	(224)	(528)	(591)
Common Dividends (Paid)	(83)	(120)	(124)	(400)
FCF	(279)	(18)	7	100
Acquisitions and Divestitures	0	—	(167)	0
Net Debt Proceeds	277	16	465	(271)
Net Equity Proceeds	196	—	0	
Other Investing and Financing Cash Flow	10	2	(304)	(9)
Total Change in Cash and Equivalents	204	0	1	(180)

Continued on next page.
Source: Company reports, Fitch Ratings.

Peer Group Historical Financials — NV Energy, Inc. (Continued)

($ Mil.)	Southwestern Public Service Company 9/30/16	Monongahela Power Co. 9/30/16	Indiana Michigan Power Co. 9/30/16	NV Energy, Inc. 9/30/16
Liquidity				
Readily Available Cash and Equivalents	207	1	2	357
Availability under Committed Credit Lines	395	361	474	650
Not Readily Available Cash and Equivalents	—	10	—	—
Working Capital				
Net Working Capital (Fitch-Defined)	5	123	44	192
Trade Accounts Receivable (Days)	44.1	41.4	16.5	50.4
Inventory Turnover (Days)	14.5	45.1	106.0	34.3
Trade Accounts Payable (Days)	65.7	49.5	104.4	72.4
Capital Intensity (%)	30.1	14.1	24.7	19.7
Income Statement				
Revenue	1,795	1,594	2,140	2,996
Revenue Growth (%)	(1.4)	4.0	(4.0)	(10.7)
Operating EBITDAR	470	354	682	1,197
Operating EBITDAR After Dividends to Associates and Minorities	470	354	682	1,197
Operating EBITDA	463	344	597	1,177
Operating EBITDA After Dividends to Associates and Minorities	463	344	597	1,177
Operating EBIT	296	226	406	758
Miscellaneous				
Total Debt/Capitalization (%)	49.5	53.6	50.4	53.1
Total Equity/Capitalization (%)	50.5	46.4	49.6	46.9
Return on Equity (ROE) (%)	7.6	5.0	10.5	8.5
Interest Received	0		19	
Preferred Dividends (Paid)	0	—	0	—
Converted to USD from the Following:	USD	USD	USD	USD
Spot FX Rates Used per statement	1.000	1.000	1.000	1.000
Avg. FX Rates Used per Statement	1.000	1.000	1.000	1.000

Source: Company reports, Fitch Ratings.

Appendix B: Financial Summaries

Annual Historical Financials — Berkshire Hathaway Energy Company

	Annual				
($ Mil.)	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Profitability (%)					
Operating EBITDAR Margin	35.8	35.7	36.1	38.7	40.2
Operating EBITDA Margin	34.8	34.8	35.2	37.8	39.3
Operating EBIT Margin	22.2	22.4	23.4	24.2	24.4
FFO Margin	36.2	33.1	36.5	35.4	33.7
FCF Margin	8.2	2.9	(8.1)	6.2	5.5
Return on Capital Employed (ROCE)	5.6	5.0	5.8	5.7	5.4
Gross Leverage (x)					
Total Adjusted Debt/Op. EBITDAR	5.5	7.1	6.3	5.	5.5
FFO-Adjusted Leverage	4.2	5.9	4.9	4.7	5.0
FCF/Total Adjusted Debt (%)	4.2	1.1	(3.6)	2.9	2.5
Total Debt with Equity Credit/Op. EBITDA	5.4	7.0	6.3	5.5	5.5
Total Secured Debt/Op. EBITDA	—	—	—	2.3	—
Total Adj. Debt/(CFO Before Lease Expense – Maint. Capex)	21.3	66.4	(31.2)	30.6	34.5
Net Leverage (x)					
Total Adjusted Net Debt/Op. EBITDAR	5.3	6.8	6.2	5.4	5.4
FFO-Adjusted Net Leverage	4.1	5.7	4.8	4.6	4.9
Total Net Debt/(CFO – Capex)	22.1	82.2	(26.7)	32.9	38.1
Coverage (x)					
Op. EBITDAR/(Interest Paid + Lease Expense)	3.6	3.8	3.6	3.6	3.5
Op. EBITDA/Interest Paid	3.8	4.1	3.9	3.8	3.7
FFO Fixed-Charge Coverage	4.6	4.5	4.6	4.3	3.9
FFO Interest Coverage	5.0	4.9	5.0	4.6	4.1
CFO/Capex	1.3	1.1	0.8	1.2	1.2
Debt Summary					
Total Debt with Equity Credit	21,684	30,947	38,197	37,474	37,513
Total Adjusted Debt with Equity Credit	22,580	31,891	39,365	38,762	38,761
Lease-Equivalent Debt	896	944	1,168	1,288	1,248
Other Off-Balance-Sheet Debt	—	—	—	—	—
Interest (Paid)	(1,046)	(1,073)	(1,585)	(1,764)	(1,854)
Implied Cost of Debt (%)	5.0	4.0	4.4	4.5	4.8
Cash Flow Summary					
Funds from Operations (FFO)	4,177	4,178	6,316	6,331	5,865
Change in Working Capital (Fitch-Defined)	150	491	(1,170)	649	191
Cash Flow from Operations (CFO)	4,327	4,669	5,146	6,980	6,056
Non-Operating/Non-Recurring Cash Flow	—	—	—	0	—
Capex	(3,380)	(4,307)	(6,555)	(5,875)	(5,090)
Common Dividends (Paid)	—	—	—	0	—
FCF	947	362	(1,409)	1,105	966
Acquisitions and Divestitures	(541)	(5,536)	(2,956)	(164)	(66)
Net Debt Proceeds	534	5,079	3,799	(146)	(625)
Net Equity Proceeds	—	1,000	—	(36)	
Other Investing and Financing Cash Flow	(450)	(506)	8	(268)	(662)
Total Change in Cash and Equivalents	490	399	(558)	491	(387)
Liquidity					
Readily Available Cash and Equivalents	776	1,175	617	1,108	721
Availability Under Committed Credit Lines	1,539	3,268	4,598	5,032	4,019
Not Readily Available Cash and Equivalents	—	—	—	0	—

Continued on next page.
Source: Company reports, Fitch Ratings.

Annual Historical Financials — Berkshire Hathaway Energy Company (Continued)

	Annual				
($ Mil.)	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Working Capital					
Net Working Capital (Fitch-Defined)	115	(35)	(403)	(2)	255
Trade Accounts Receivable (Days)	43.6	51.1	38.7	36.4	36.7
Inventory Turnover (Days)	79.5	82.0	52.6	63.4	78.2
Trade Accounts Payable (Days)	—	—	—	112.4	111.4
Capital Intensity (%)	29.3	34.1	37.8	32.9	29.2
Income Statement					
Revenue	11,548	12,635	17,326	17,880	17,422
Revenue Growth (%)	—	9.4	37.1	3.2	(2.6)
Operating EBITDAR	4,134	4,513	6,249	6,917	6,998
Operating EBITDAR After Dividends to Associates and Minorities	4,134	4,513	6,249	6,917	6,998
Operating EBITDA	4,022	4,395	6,103	6,756	6,842
Operating EBITDA After Dividends to Associates and Minorities	4,022	4,395	6,103	6,756	6,842
Operating EBIT	2,567	2,835	4,046	4,328	4,251
Miscellaneous					
Total Debt/Capitalization (%)	57.9	62.2	65.0	62.4	60.5
Total Equity/Capitalization (%)	42.5	37.8	35.0	37.6	39.5
Return on Equity (ROE) (%)	9.3	8.7	10.2	10.6	10.4
Interest Received	—	—	—	0	120
Preferred Dividends (Paid)	—	—	—	0	—

Source: Company reports, Fitch Ratings.

Annual Historical Financials — PacifiCorp

($ Mil.)	Annual 12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Profitability (%)					
Operating EBITDAR Margin	34.3	38.0	38.9	40.4	42.5
Operating EBITDA Margin	34.0	37.7	38.6	40.1	42.2
Operating EBIT Margin	20.9	24.6	24.8	25.6	27.4
FFO Margin	29.8	29.5	30.1	31.7	34.2
FCF Margin	1.6	(0.3)	(4.2)	(2.5)	(4.0)
Return on Capital Employed (ROCE)	5.1	6.2	6.3	6.3	6.7
Gross Leverage (x)					
Total Adjusted Debt/Op. EBITDAR	4.2	3.6	3.5	3.5	3.4
FFO-Adjusted Leverage	3.8	3.7	3.6	3.5	3.4
FCF/Total Adjusted Debt (%)	1.1	(0.2)	(3.1)	(1.8)	(2.8)
Total Debt with Equity Credit/Op. EBITDA	4.1	3.5	3.5	3.4	3.3
Total Secured Debt/Op. EBITDA	4.0	3.4	3.4	3.4	3.2
Total Adj. Debt/(CFO Before Lease Expense – Maint. Capex)	23.9	14.0	13.9	8.7	11.0
Net Leverage (x)					
Total Adjusted Net Debt/Op. EBITDAR	4.1	3.6	3.5	3.4	3.4
FFO-Adjusted Net Leverage	3.7	3.6	3.6	3.5	3.4
Total Net Debt/(CFO – Capex)	24.4	14.0	14.0	8.7	11.0
Coverage (x)					
Op. EBITDAR/(Interest Paid + Lease Expense)	4.3	4.9	5.2	5.4	5.6
Op. EBITDA/Interest Paid	4.4	5.1	5.3	5.5	5.8
FFO Fixed-Charge Coverage	4.7	4.8	5.0	5.2	5.5
FFO Interest Coverage	4.8	5.0	5.2	5.4	5.7
CFO/Capex	1.2	1.5	1.5	1.9	1.7
Debt Summary					
Total Debt with Equity Credit	6,881	6,878	7,074	7,167	7,351
Total Adjusted Debt with Equity Credit	6,993	7,006	7,202	7,287	7,471
Lease-Equivalent Debt	112	128	128	120	120
Other Off-Balance-Sheet Debt	—	—	—	—	—
Interest (Paid)	(380)	(379)	(379)	(379)	(380)
Implied Cost of Debt (%)	5.5	5.5	5.4	5.3	5.2
Cash Flow Summary					
Funds from Operations (FFO)	1,455	1,517	1,580	1,660	1,777
Change in Working Capital (Fitch-Defined)	170	34	(10)	74	(209)
Cash Flow from Operations (CFO)	1,625	1,551	1,570	1,734	1,568
Non-Operating/Non-Recurring Cash Flow	—	—	—	0	—
Capex	(1,346)	(1,065)	(1,066)	(916)	(903)
Common Dividends (Paid)	(200)	(500)	(725)	(950)	(875)
FCF	79	(14)	(221)	(132)	(210)
Acquisitions and Divestitures	—	—	—	0	—
Net Debt Proceeds	(41)	15	207	124	182
Net Equity Proceeds	—	(40)	—	0	—
Other Investing and Financing Cash Flow	(5)	12	(16)	(3)	33
Total Change in Cash and Equivalents	33	(27)	(30)	(11)	5
Liquidity					
Readily Available Cash and Equivalents	80	53	23	12	17
Availability Under Committed Credit Lines	628	879	782	1,020	588
Not Readily Available Cash and Equivalents	—	—	—	0	—

Continued on next page.
Source: Company reports, Fitch Ratings.

Annual Historical Financials — PacifiCorp (Continued)

	Annual				
($ Mil.)	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Working Capital					
Net Working Capital (Fitch-Defined)	380	381	408	445	518
Trade Accounts Receivable (Days)	50.2	49.6	48.7	51.6	51.1
Inventory Turnover (Days)	94.0	86.1	76.2	83.0	92.3
Trade Accounts Payable (Days)	—	—	—	92.4	85.0
Capital Intensity (%)	27.6	20.7	20.3	17.5	17.4
Income Statement					
Revenue	4,882	5,147	5,252	5,232	5,201
Revenue Growth (%)	—	5.4	2.0	(0.4)	(0.6)
Operating EBITDAR	1,675	1,955	2,042	2,112	2,211
Operating EBITDAR After Dividends to Associates and Minorities	1,675	1,955	2,042	2,112	2,211
Operating EBITDA	1,661	1,939	2,026	2,097	2,196
Operating EBITDA After Dividends to Associates and Minorities	1,661	1,939	2,026	2,097	2,196
Operating EBIT	1,021	1,264	1,300	1,340	1,426
Miscellaneous					
Total Debt/Capitalization (%)	47.5	46.9	47.7	48.9	49.9
Total Equity/Capitalization (%)	52.8	53.1	52.3	51.2	50.1
Return on Equity (ROE) (%)	7.0	8.8	9.0	9.3	10.3
Interest Received	—	—	—	0	—
Preferred Dividends (Paid)	(2)	(2)	—	0	—

Source: Company reports, Fitch Ratings.

Annual Historical Financials — MidAmerican Funding LLC

($ Mil.)	Annual				
	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Profitability (%)					
Operating EBITDAR Margin	23.6	22.4	20.7	25.8	39.9
Operating EBITDA Margin	23.4	22.3	20.6	25.7	39.7
Operating EBIT Margin	11.4	10.5	11.2	13.8	21.5
FFO Margin	27.2	25.8	28.1	32.8	50.7
FCF Margin	18.9	(8.9)	(18.8)	(3.2)	(9.2)
Return on Capital Employed (ROCE)	3.4	3.1	3.3	3.4	3.7
Gross Leverage (x)					
Total Adjusted Debt/Op. EBITDAR	5.1	5.3	5.9	5.	4.
FFO-Adjusted Leverage	3.7	3.8	3.7	3.6	3.1
FCF/Total Adjusted Debt (%)	15.8	(7.5)	(15.4)	(2.3)	(5.1)
Total Debt with Equity Credit/Op. EBITDA	5.0	5.3	5.9	5.4	4.6
Total Secured Debt/Op. EBITDA	—	—	—	—	4.5
Total Adj. Debt/(CFO Before Lease Expense – Maint. Capex)	6.3	(13.6)	(6.6)	(44.6)	(20.0)
Net Leverage (x)					
Total Adjusted Net Debt/Op. EBITDAR	4.6	5.0	5.9	5.3	4.6
FFO-Adjusted Net Leverage	3.3	3.6	3.6	3.5	3.1
Total Net Debt/(CFO – Capex)	5.7	(12.5)	(6.4)	(41.7)	(19.5)
Coverage (x)					
Op. EBITDAR/(Interest Paid + Lease Expense)	4.4	4.3	3.9	4.2	5.0
Op. EBITDA/Interest Paid	4.6	4.4	3.9	4.3	5.1
FFO Fixed-Charge Coverage	6.1	5.9	6.3	6.3	7.4
FFO Interest Coverage	6.3	6.1	6.4	6.4	7.5
CFO/Capex	2.0	0.7	0.5	0.9	0.9
Debt Summary					
Total Debt with Equity Credit	3,843	4,012	4,567	4,736	4,757
Total Adjusted Debt with Equity Credit	3,891	4,060	4,599	4,768	4,789
Lease-Equivalent Debt	48	48	32	32	32
Other Off-Balance-Sheet Debt	—	—	—	—	—
Interest (Paid)	(167)	(174)	(197)	(206)	(204)
Implied Cost of Debt (%)	4.4	4.4	4.6	4.4	4.3
Cash Flow Summary					
Funds from Operations (FFO)	884	882	1,056	1,121	1,335
Change in Working Capital (Fitch-Defined)	376	(161)	(236)	214	58
Cash Flow from Operations (CFO)	1,260	721	820	1,335	1,393
Non-Operating/Non-Recurring Cash Flow	—	—	—	0	—
Capex	(645)	(1,026)	(1,526)	(1,446)	(1,636)
Common Dividends (Paid)	—	—	—	0	—
FCF	615	(305)	(706)	(111)	(243)
Acquisitions and Divestitures	—	—	—	0	—
Net Debt Proceeds	(268)	166	542	176	132
Net Equity Proceeds	—	(28)	—	0	—
Other Investing and Financing Cash Flow	6	7	0	8	23
Total Change in Cash and Equivalents	353	(160)	(164)	73	(88)
Liquidity					
Readily Available Cash and Equivalents	354	194	30	103	15
Availability Under Committed Credit Lines	340	414	360	275	506
Not Readily Available Cash and Equivalents	—	—	—	0	—

Continued on next page.
Source: Company reports, Fitch Ratings.

Annual Historical Financials — MidAmerican Funding LLC (Continued)

	Annual				
($ Mil.)	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Working Capital					
Net Working Capital (Fitch-Defined)	10	157	54	(21)	59
Trade Accounts Receivable (Days)	47.0	49.1	42.4	36.9	39.8
Inventory Turnover (Days)	51.9	45.5	31.7	51.3	123.5
Trade Accounts Payable (Days)	—	—	—	92.0	141.3
Capital Intensity (%)	19.9	30.1	40.6	42.3	62.2
Income Statement					
Revenue	3,247	3,413	3,762	3,420	2,631
Revenue Growth (%)	—	5.1	10.2	(9.1)	(23.1)
Operating EBITDAR	767	766	778	884	1,049
Operating EBITDAR After Dividends to Associates and Minorities	767	766	778	884	1,049
Operating EBITDA	761	760	774	880	1,045
Operating EBITDA After Dividends to Associates and Minorities	761	760	774	880	1,045
Operating EBIT	369	357	423	473	566
Miscellaneous					
Total Debt/Capitalization (%)	47.1	46.2	47.4	46.2	43.9
Total Equity/Capitalization (%)	53.3	53.8	52.6	53.8	56.1
Return on Equity (ROE) (%)	7.9	7.3	8.1	8.3	8.7
Interest Received	—	—	—	0	—
Preferred Dividends (Paid)	—	—	—	0	—

Source: Company reports, Fitch Ratings.

Annual Historical Financials — MidAmerican Energy Company

($ Mil.)	Annual				
	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Profitability (%)					
Operating EBITDAR Margin	23.7	22.5	20.8	25.9	39.9
Operating EBITDA Margin	23.5	22.3	20.7	25.8	39.8
Operating EBIT Margin	11.4	10.5	11.3	13.8	21.5
FFO Margin	27.8	26.4	26.8	33.3	51.2
FCF Margin	19.4	(12.2)	(18.8)	(2.8)	(8.9)
Return on Capital Employed (ROCE)	3.8	3.4	3.7	3.7	4.0
Gross Leverage (x)					
Total Adjusted Debt/Op. EBITDAR	4.3	4.7	5.3	4.9	4.2
FFO-Adjusted Leverage	3.2	3.4	3.5	3.3	2.9
FCF/Total Adjusted Debt (%)	19.0	(11.6)	(17.0)	(2.2)	(5.3)
Total Debt with Equity Credit/Op. EBITDA	4.3	4.7	5.3	4.9	4.2
Total Secured Debt/Op. EBITDA	—	—	—	—	4.2
Total Adj. Debt/(CFO Before Lease Expense – Maint. Capex)	5.2	(12.6)	(5.9)	(47.3)	(19.4)
Net Leverage (x)					
Total Adjusted Net Debt/Op. EBITDAR	3.9	4.5	5.3	4.8	4.2
FFO-Adjusted Net Leverage	2.8	3.2	3.5	3.2	2.9
Total Net Debt/(CFO – Capex)	4.6	(11.5)	(5.8)	(43.9)	(18.8)
Coverage (x)					
Op. EBITDAR/(Interest Paid + Lease Expense)	5.2	4.9	4.4	4.7	5.7
Op. EBITDA/Interest Paid	5.3	5.0	4.4	4.8	5.8
FFO Fixed-Charge Coverage	7.0	6.7	6.6	7.1	8.3
FFO Interest Coverage	7.3	6.9	6.8	7.2	8.4
CFO/Capex	2.0	0.7	0.5	0.9	0.9
Debt Summary					
Total Debt with Equity Credit	3,272	3,552	4,106	4,271	4,400
Total Adjusted Debt with Equity Credit	3,320	3,600	4,138	4,303	4,432
Lease-Equivalent Debt	48	48	32	32	32
Other Off-Balance-Sheet Debt	—	—	—	—	—
Interest (Paid)	(143)	(151)	(174)	(183)	(181)
Implied Cost of Debt (%)	4.4	4.4	4.5	4.4	4.2
Cash Flow Summary					
Funds from Operations (FFO)	900	899	1,003	1,135	1,345
Change in Working Capital (Fitch-Defined)	376	(164)	(180)	216	58
Cash Flow from Operations (CFO)	1,276	735	823	1,351	1,403
Non-Operating/Non-Recurring Cash Flow	—	—	—	0	—
Capex	(645)	(1,026)	(1,526)	(1,446)	(1,636)
Common Dividends (Paid)	(1)	(125)	—	0	—
FCF	630	(416)	(703)	(95)	(233)
Acquisitions and Divestitures	—	—	—	0	—
Net Debt Proceeds	(283)	277	541	173	123
Net Equity Proceeds	—	(28)	—	0	
Other Investing and Financing Cash Flow	6	7	(3)	(4)	21
Total Change in Cash and Equivalents	353	(160)	(165)	74	(89)
Liquidity					
Readily Available Cash and Equivalents	354	194	29	103	14
Availability Under Committed Credit Lines	—	410	360	410	
Not Readily Available Cash and Equivalents	—	—	—	0	—

Continued on next page.
Source: Company reports, Fitch Ratings.

Annual Historical Financials — MidAmerican Energy Company (Continued)

	Annual				
($ Mil.)	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Working Capital					
Net Working Capital (Fitch-Defined)	19	160	58	(17)	64
Trade Accounts Receivable (Days)	46.8	48.7	42.3	36.6	39.6
Inventory Turnover (Days)	51.9	45.5	31.9	51.6	124.2
Trade Accounts Payable (Days)	—	—	—	92.3	142.5
Capital Intensity (%)	19.9	30.1	40.8	42.4	62.3
Income Statement					
Revenue	3,242	3,403	3,740	3,407	2,625
Revenue Growth (%)	—	5.0	9.9	(8.9)	(23.0)
Operating EBITDAR	768	765	777	882	1,048
Operating EBITDAR After Dividends to Associates and Minorities	768	765	777	882	1,048
Operating EBITDA	762	759	773	878	1,044
Operating EBITDA After Dividends to Associates and Minorities	762	759	773	878	1,044
Operating EBIT	370	356	422	471	565
Miscellaneous					
Total Debt/Capitalization (%)	47.6	48.0	49.1	47.6	46.0
Total Equity/Capitalization (%)	52.8	52.0	50.9	52.4	54.0
Return on Equity (ROE) (%)	9.8	9.1	9.8	9.8	10.5
Interest Received	—	—	—	0	—
Preferred Dividends (Paid)	(1)	(1)	—	0	—

Source: Company reports, Fitch Ratings.

Annual Historical Financials — Northern Natural Gas Company

($ Mil.)	Annual 12/31/12	12/31/13	12/31/14	12/31/15	LTM 9/30/16
Profitability (%)					
Operating EBITDAR Margin	57.1	57.0	48.3	56.7	60.3
Operating EBITDA Margin	56.4	56.3	47.8	56.1	59.7
Operating EBIT Margin	45.5	45.4	38.1	45.4	48.1
FFO Margin	47.4	51.6	45.3	59.0	64.6
FCF Margin	13.8	7.3	(17.0)	11.0	4.9
Return on Capital Employed (ROCE)	10.4	9.6	9.6	10.0	9.8
Gross Leverage (x)					
Total Adjusted Debt/Op. EBITDAR	2.7	2.7	2.7	2.2	2.2
FFO-Adjusted Leverage	2.7	2.6	2.5	1.9	1.8
FCF/Total Adjusted Debt (%)	8.9	4.8	(13.2)	8.7	3.7
Total Debt with Equity Credit/Op. EBITDA	2.7	2.7	2.6	2.2	2.1
Total Secured Debt/Op. EBITDA	—	—	—	—	—
Total Adj. Debt/(CFO Before Lease Expense – Maint. Capex)	4.4	7.1	15.0	5.3	4.1
Net Leverage (x)					
Total Adjusted Net Debt/Op. EBITDAR	2.5	2.3	2.5	2.1	1.9
FFO-Adjusted Net Leverage	2.5	2.2	2.4	1.9	1.6
Total Net Debt/(CFO – Capex)	4.0	6.3	14.7	5.0	3.5
Coverage (x)					
Op. EBITDAR/(Interest Paid + Lease Expense)	6.1	7.0	7.3	8.5	9.1
Op. EBITDA/Interest Paid	6.5	7.6	7.9	9.2	9.9
FFO Fixed-Charge Coverage	6.0	7.4	7.8	9.8	10.7
FFO Interest Coverage	6.4	8.0	8.5	10.7	11.7
CFO/Capex	3.0	1.9	1.2	1.7	2.0
Debt Summary					
Total Debt with Equity Credit	899	899	899	795	795
Total Adjusted Debt with Equity Credit	909	905	931	827	827
Lease-Equivalent Debt	10	6	32	32	32
Other Off-Balance-Sheet Debt	—	—	—	—	—
Interest (Paid)	(51)	(44)	(44)	(40)	(38)
Implied Cost of Debt (%)	5.5	4.9	4.9	4.7	4.8
Cash Flow Summary					
Funds from Operations (FFO)	277	306	328	387	408
Change in Working Capital (Fitch-Defined)	27	(41)	(31)	(25)	(23)
Cash Flow from Operations (CFO)	304	265	297	362	385
Non-Operating/Non-Recurring Cash Flow	—	—	—	—	—
Capex	(102)	(142)	(239)	(210)	(189)
Common Dividends (Paid)	(121)	(80)	(181)	(80)	(165)
FCF	81	43	(123)	72	31
Acquisitions and Divestitures	0	—	—	—	—
Net Debt Proceeds	(50)	—	55	(80)	0
Net Equity Proceeds	—	—	—	—	—
Other Investing and Financing Cash Flow	(9)	(3)	(8)	(11)	(4)
Total Change in Cash and Equivalents	22	40	(76)	(19)	27
Liquidity					
Readily Available Cash and Equivalents	83	123	47	28	104
Availability Under Committed Credit Lines	—	—	—	—	—
Not Readily Available Cash and Equivalents	—	—	—	—	—

Continued on next page.
Source: Company reports, Fitch Ratings.

Annual Historical Financials — Northern Natural Gas Company (Continued)

	Annual				LTM
($ Mil.)	12/31/12	12/31/13	12/31/14	12/31/15	9/30/16
Working Capital					
Net Working Capital (Fitch-Defined)	(9)	9	(16)	5	(33)
Trade Accounts Receivable (Days)	45.5	50.5	41.8	40.6	21.9
Inventory Turnover (Days)	365.0	294.4	87.9	252.7	579.7
Trade Accounts Payable (Days)	—	—	—	299.5	880.3
Capital Intensity (%)	17.4	23.9	33.0	32.0	29.9
Income Statement					
Revenue	585	593	724	656	632
Revenue Growth (%)	—	1.4	22.1	(9.4)	(3.7)
Operating EBITDAR	334	338	350	372	381
Operating EBITDAR After Dividends to Associates and Minorities	334	338	350	372	381
Operating EBITDA	330	334	346	368	377
Operating EBITDA After Dividends to Associates and Minorities	330	334	346	368	377
Operating EBIT	266	269	276	298	304
Miscellaneous					
Total Debt/Capitalization (%)	41.1	39.8	40.3	36.1	35.7
Total Equity/Capitalization (%)	58.9	60.2	59.7	63.9	64.3
Return on Equity (ROE) (%)	10.5	11.1	11.3	11.3	11.5
Interest Received	—	—	—	1	2
Preferred Dividends (Paid)	—	—	—	—	—

Source: Company reports, Fitch Ratings.

Annual Historical Financials — NV Energy, Inc.

($ Mil.)	Annual 12/31/12	12/31/13	12/31/14	12/31/15	LTM 9/30/16
Profitability (%)					
Operating EBITDAR Margin	39.6	35.6	34.2	36.6	40.0
Operating EBITDA Margin	39.0	35.1	33.7	36.0	39.3
Operating EBIT Margin	26.4	21.6	22.0	23.8	25.3
FFO Margin	29.9	25.1	31.4	37.7	33.3
FCF Margin	7.6	4.9	2.3	18.6	3.3
Return on Capital Employed (ROCE)	7.2	5.7	6.2	7.1	6.7
Gross Leverage (x)					
Total Adjusted Debt/Op. EBITDAR	4.4	5.1	4.7	4.0	3.9
FFO-Adjusted Leverage	4.3	5.1	3.9	3.2	3.6
FCF/Total Adjusted Debt (%)	4.4	2.7	1.4	12.5	2.1
Total Debt with Equity Credit/Op. EBITDA	4.3	5.1	4.7	4.0	3.9
Total Secured Debt/Op. EBITDA	3.6	—	—	0.4	—
Total Adj. Debt/(CFO Before Lease Expense – Maint. Capex)	13.1	15.8	13.1	7.7	9.0
Net Leverage (x)					
Total Adjusted Net Debt/Op. EBITDAR	4.1	4.8	4.4	3.5	3.6
FFO-Adjusted Net Leverage	4.0	4.8	3.7	2.8	3.4
Total Net Debt/(CFO – Capex)	12.6	15.5	12.7	6.7	8.4
Coverage (x)					
Op. EBITDAR/(Interest Paid + Lease Expense)	3.6	3.3	3.6	4.2	4.1
Op. EBITDA/Interest Paid	3.8	3.4	3.7	4.4	4.4
FFO Fixed-Charge Coverage	3.7	3.3	4.3	5.3	4.5
FFO Interest Coverage	3.9	3.4	4.5	5.6	4.7
CFO/Capex	1.8	1.9	1.7	2.1	1.8
Debt Summary					
Total Debt with Equity Credit	5,026	5,287	5,091	4,800	4,533
Total Adjusted Debt with Equity Credit	5,168	5,373	5,199	4,960	4,693
Lease-Equivalent Debt	142	86	108	160	160
Other Off-Balance-Sheet Debt	—	—	—	—	—
Interest (Paid)	(306)	(304)	(292)	(272)	(269)
Implied Cost of Debt (%)	6.0	5.9	5.6	5.5	5.7
Cash Flow Summary					
Funds from Operations (FFO)	890	742	1,017	1,262	998
Change in Working Capital (Fitch-Defined)	(15)	(47)	(81)	(68)	93
Cash Flow from Operations (CFO)	875	695	936	1,194	1,091
Non-Operating/Non-Recurring Cash Flow	—	—	—	—	—
Capex	(499)	(372)	(557)	(572)	(591)
Common Dividends (Paid)	(151)	(178)	(305)		(400)
FCF	225	145	74	622	100
Acquisitions and Divestitures	—	14	—	9	0
Net Debt Proceeds	(140)	(235)	(203)	(263)	(271)
Net Equity Proceeds	(18)	63	105	—	—
Other Investing and Financing Cash Flow	85	2	(1)	4	(9)
Total Change in Cash and Equivalents	152	(11)	(25)	372	(180)
Liquidity					
Readily Available Cash and Equivalents	298	287	262	634	357
Availability Under Committed Credit Lines	741	744	650	650	650
Not Readily Available Cash and Equivalents	—	—	—	—	

Continued on next page.
Source: Company reports, Fitch Ratings.

Annual Historical Financials — NV Energy, Inc. (Continued)

	Annual				LTM
($ Mil.)	12/31/12	12/31/13	12/31/14	12/31/15	9/30/16
Working Capital					
Net Working Capital (Fitch-Defined)	51	32	63	98	192
Trade Accounts Receivable (Days)	45.7	47.2	39.3	39.5	50.4
Inventory Turnover (Days)	44.3	35.3	30.9	28.2	34.3
Trade Accounts Payable (Days)	—	—	—	63.9	72.4
Capital Intensity (%)	16.8	12.6	17.2	17.1	19.7
Income Statement					
Revenue	2,979	2,961	3,241	3,351	2,996
Revenue Growth (%)	—	(0.6)	9.5	3.4	(10.6)
Operating EBITDAR	1,181	1,055	1,110	1,226	1,197
Operating EBITDAR After Dividends to Associates and Minorities	1,181	1,055	1,110	1,226	1,197
Operating EBITDA	1,163	1,039	1,092	1,206	1,177
Operating EBITDA After Dividends to Associates and Minorities	1,163	1,039	1,092	1,206	1,177
Operating EBIT	785	639	713	796	758
Miscellaneous					
Total Debt/Capitalization (%)	58.6	59.3	57.7	54.0	53.1
Total Equity/Capitalization (%)	41.4	40.7	42.3	46.0	46.9
Return on Equity (ROE) (%)	9.1	4.5	7.9	8.8	8.5
Interest Received	—	—	—	—	—
Preferred Dividends (Paid)	—	—	—	—	—

Source: Company reports, Fitch Ratings.

Annual Historical Financials — Nevada Power Company dba NV Energy

	Annual				
($ Mil.)	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Profitability (%)					
Operating EBITDAR Margin	41.1	34.5	35.3	38.3	43.0
Operating EBITDA Margin	40.6	34.0	34.9	37.9	42.4
Operating EBIT Margin	28.0	20.8	23.1	25.5	27.8
FFO Margin	31.9	25.3	34.2	40.3	31.8
FCF Margin	10.7	4.9	2.7	23.3	(1.6)
Return on Capital Employed (ROCE)	7.6	5.3	6.5	7.4	7.1
Gross Leverage (x)					
Total Adjusted Debt/Op. EBITDAR	3.9	5.0	4.4	3.7	3.5
FFO-Adjusted Leverage	3.7	4.8	3.6	2.9	3.7
FCF/Total Adjusted Debt (%)	6.8	2.8	1.8	16.6	(1.0)
Total Debt with Equity Credit/Op. EBITDA	3.8	5.0	4.4	3.6	3.5
Total Secured Debt/Op. EBITDA	3.7	5.0	4.1	3.6	3.5
Total Adj. Debt/(CFO Before Lease Expense – Maint. Capex)	8.0	12.5	12.0	5.8	7.1
Net Leverage (x)					
Total Adjusted Net Debt/Op. EBITDAR	3.6	4.8	4.1	3.1	3.2
FFO-Adjusted Net Leverage	3.5	4.6	3.4	2.4	3.4
Total Net Debt/(CFO – Capex)	7.6	12.3	11.4	4.8	6.4
Coverage (x)					
Op. EBITDAR/(Interest Paid + Lease Expense)	3.9	3.2	3.8	4.6	4.5
Op. EBITDA/Interest Paid	4.0	3.3	3.9	4.8	4.8
FFO Fixed-Charge Coverage	4.0	3.3	4.7	5.8	4.3
FFO Interest Coverage	4.2	3.4	4.8	6.1	4.6
CFO/Capex	2.4	2.1	1.7	2.8	2.3
Debt Summary					
Total Debt with Equity Credit	3,337	3,577	3,576	3,285	3,066
Total Adjusted Debt with Equity Credit	3,397	3,618	3,641	3,373	3,170
Lease-Equivalent Debt	60	41	65	88	104
Other Off-Balance-Sheet Debt	—	—	—	—	—
Interest (Paid)	(217)	(217)	(208)	(190)	(185)
Implied Cost of Debt (%)	6.4	6.3	5.8	5.5	5.8
Cash Flow Summary					
Funds from Operations (FFO)	684	529	799	969	662
Change in Working Capital (Fitch-Defined)	18	19	(95)	(77)	109
Cash Flow from Operations (CFO)	702	548	704	892	771
Non-Operating/Non-Recurring Cash Flow	—	—	—	0	—
Capex	(288)	(267)	(410)	(320)	(335)
Common Dividends (Paid)	(184)	(178)	(230)	(13)	(469)
FCF	230	103	64	559	(33)
Acquisitions and Divestitures	—	14	—	9	—
Net Debt Proceeds	(138)	(229)	(9)	(262)	(224)
Net Equity Proceeds	—	—	—	0	—
Other Investing and Financing Cash Flow	43	37	39	10	—
Total Change in Cash and Equivalents	135	(75)	94	316	(257)
Liquidity					
Readily Available Cash and Equivalents	201	126	220	536	279
Availability Under Committed Credit Lines	497	500	400	400	400
Not Readily Available Cash and Equivalents	—	—	—	0	—

Continued on next page.
Source: Company reports, Fitch Ratings.

Annual Historical Financials — Nevada Power Company dba NV Energy (Continued)

	Annual				
($ Mil.)	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Working Capital					
Net Working Capital (Fitch-Defined)	(3)	(36)	29	47	(14)
Trade Accounts Receivable (Days)	42.4	39.6	38.0	40.3	42.6
Inventory Turnover (Days)	35.0	31.9	29.9	26.9	34.7
Trade Accounts Payable (Days)	—	—	—	72.1	88.9
Capital Intensity (%)	13.4	12.8	17.5	13.3	16.1
Income Statement					
Revenue	2,145	2,092	2,337	2,402	2,083
Revenue Growth (%)	—	(2.5)	11.7	2.8	(13.3)
Operating EBITDAR	881	721	825	921	896
Operating EBITDAR After Dividends to Associates and Minorities	881	721	825	921	896
Operating EBITDA	871	712	815	910	883
Operating EBITDA After Dividends to Associates and Minorities	871	712	815	910	883
Operating EBIT	601	435	541	613	580
Miscellaneous					
Total Debt/Capitalization (%)	53.3	55.3	55.3	50.9	50.8
Total Equity/Capitalization (%)	46.7	44.7	44.7	49.1	49.2
Return on Equity (ROE) (%)	8.8	5.0	7.9	9.1	9.4
Interest Received	—	—	—	0	—
Preferred Dividends (Paid)	—	—	—	0	—

Source: Company reports, Fitch Ratings.

Annual Historical Financials — Sierra Pacific Power Company dba NV Energy

	Annual				
($ Mil.)	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Profitability (%)					
Operating EBITDAR Margin	36.1	31.4	32.0	32.1	37.4
Operating EBITDA Margin	35.4	30.8	31.3	31.4	36.7
Operating EBIT Margin	22.4	16.4	19.7	19.4	22.2
FFO Margin	28.3	28.4	27.8	32.6	29.4
FCF Margin	(4.1)	(0.9)	(6.1)	8.8	(0.2)
Return on Capital Employed (ROCE)	6.5	4.7	5.7	6.2	6.0
Gross Leverage (x)					
Total Adjusted Debt/Op. EBITDAR	4.0	4.6	4.3	4.1	4.0
FFO-Adjusted Leverage	3.9	4.0	3.9	3.3	4.1
FCF/Total Adjusted Debt (%)	(2.8)	(0.7)	(4.4)	6.7	(0.2)
Total Debt with Equity Credit/Op. EBITDA	4.0	4.6	4.2	4.0	3.9
Total Secured Debt/Op. EBITDA	3.1	4.6	4.2	4.0	3.9
Total Adj. Debt/(CFO Before Lease Expense – Maint. Capex)	(151.0)	16.5	22.2	12.9	21.8
Net Leverage (x)					
Total Adjusted Net Debt/Op. EBITDAR	3.8	4.3	4.2	3.8	3.8
FFO-Adjusted Net Leverage	3.7	3.7	3.8	3.0	3.9
Total Net Debt/(CFO – Capex)	(79.9)	16.4	23.6	12.2	22.4
Coverage (x)					
Op. EBITDAR/(Interest Paid + Lease Expense)	4.2	4.0	4.3	4.5	5.7
Op. EBITDA/Interest Paid	4.5	4.2	4.6	4.9	6.3
FFO Fixed-Charge Coverage	4.3	4.6	4.7	5.5	5.5
FFO Interest Coverage	4.6	4.9	5.1	6.1	6.1
CFO/Capex	0.9	1.4	1.3	1.4	1.3
Debt Summary					
Total Debt with Equity Credit	1,179	1,200	1,200	1,202	1,153
Total Adjusted Debt with Equity Credit	1,208	1,221	1,241	1,247	1,201
Lease-Equivalent Debt	29	21	41	45	48
Other Off-Balance-Sheet Debt	—	—	—	—	—
Interest (Paid)	(66)	(62)	(61)	(61)	(47)
Implied Cost of Debt (%)	5.6	5.2	5.1	5.1	4.0
Cash Flow Summary					
Funds from Operations (FFO)	236	242	251	309	239
Change in Working Capital (Fitch-Defined)	(39)	(16)	(5)	33	4
Cash Flow from Operations (CFO)	197	226	246	342	243
Non-Operating/Non-Recurring Cash Flow	—	—	—	0	—
Capex	(211)	(157)	(196)	(252)	(194)
Common Dividends (Paid)	(20)	(77)	(105)	(7)	(51)
FCF	(34)	(8)	(55)	83	(2)
Acquisitions and Divestitures	—	—	—	0	—
Net Debt Proceeds	(2)	(4)	1	(1)	(49)
Net Equity Proceeds	—	—	—	0	—
Other Investing and Financing Cash Flow	42	18	9	2	—
Total Change in Cash and Equivalents	6	6	(45)	84	(51)
Liquidity					
Readily Available Cash and Equivalents	61	67	22	106	55
Availability Under Committed Credit Lines	244	244	250	250	170
Not Readily Available Cash and Equivalents	—	—	—	0	—

Continued on next page.
Source: Company reports, Fitch Ratings.

Annual Historical Financials — Sierra Pacific Power Company dba NV Energy (Continued)

	Annual				
($ Mil.)	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16
Working Capital					
Net Working Capital (Fitch-Defined)	24	14	13	8	(8)
Trade Accounts Receivable (Days)	54.3	66.8	51.3	47.8	52.6
Inventory Turnover (Days)	68.5	45.1	33.4	31.1	51.3
Trade Accounts Payable (Days)	—	—	—	101.2	166.5
Capital Intensity (%)	25.3	18.4	21.7	26.6	23.9
Income Statement					
Revenue	834	853	904	947	812
Revenue Growth (%)	—	2.3	6.0	4.8	(14.3)
Operating EBITDAR	301	268	289	304	304
Operating EBITDAR After Dividends to Associates and Minorities	301	268	289	304	304
Operating EBITDA	295	263	283	297	298
Operating EBITDA After Dividends to Associates and Minorities	295	263	283	297	298
Operating EBIT	187	140	178	184	180
Miscellaneous					
Total Debt/Capitalization (%)	53.2	54.2	54.6	52.8	51.0
Total Equity/Capitalization (%)	46.8	45.8	45.4	47.2	49.0
Return on Equity (ROE) (%)	8.1	5.4	8.7	7.7	7.6
Interest Received	—	—	—	0	—
Preferred Dividends (Paid)	—	—	—	0	—

Source: Company reports, Fitch Ratings.

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New York

33 Whitehall Street
New York, NY 10004
USA
+1 212 908 0500
+1 800 75 FITCH

London

30 North Colonnade
Canary Wharf
London E14 5GN
UK
+44 20 3530 1000