

Confidential Presentation to:

PacifiCorp



Pricing Analysis

August 2006

LEHMAN BROTHERS

The Entire Exhibit No. ___ (BNW-4C) is designated
"Confidential per WAC 480 07-160"

Table of Contents

I. Pricing Analysis

Appendices

A. Lehman Brothers Indices

B. Lehman Brothers A3/A- Utility Index Members – 30-year Maturities (Customized Index)

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Executive Summary

- ◆ We approached the pricing analysis for PacifiCorp from four different perspectives. All four analyses show that PacifiCorp priced its 6.10% 2036 first mortgage bonds significantly through comparable utilities:
- ◆ We began by focusing on 30-year bonds from low single A rated utilities within the Lehman Brothers U.S. Credit Index. We therefore set up a customized index comprising all index-eligible utility securities that are rated either A3 by Moody's or A- by S&P that mature between 2030 and 2036 (the "30-year index")
 - While the average maturity on the 30-year index is slightly shorter than that of the new 30-year PacifiCorp 6.10% first mortgage bonds, we did not adjust the average spread on the index for the extension in maturity given the flatness of the yield curve
 - In addition, we adjusted these average spreads for potential new issue premiums as the index data is all based off of secondary trading levels
 - Adjusting for these items, PacifiCorp's 106 bps credit spread on its new 2036 first mortgage bond is 15 bps tighter than the average 30-year A3/A- rated Utility index
- ◆ We also compared PacifiCorp new issue levels to indicative new issue levels of its similarly rated utility peers
 - On average, Lehman estimates that PacifiCorp priced its 30-year offering 20 bps inside of where its peers would have issued
- ◆ We compared PacifiCorp new issue levels vs. year-to-date 30-year A-rated first mortgage bond issuances
 - On average, PacifiCorp priced 20 bps tighter than recent A-rated 30-year first mortgage bonds offerings
- ◆ Finally, we identified recent (since June) 30-year new issue supply in the utility sector
 - The average 30-year new issue has priced at T+142 bps, 36 bps wider versus PacifiCorp's new issue spread

Executive Summary

- ◆ Given the strength of and momentum behind PacifiCorp's credit, the Company was able to price its 6.10% 2036 first mortgage bonds at no new issue premium to secondary trading levels (indeed, the Company's 2035 first mortgage bonds were quoted at a bid spread of +106 bps at the time we announced the offering). This contrasts to recent offerings by lower-rated utilities which have required a significant new issue premium. As risk aversion grows at this point of the business cycle, investors now make a clear differentiation between individual credits:
 - On the same day of the PacifiCorp offering, Public Service of Oklahoma (Baa1/BBB) priced \$150 million 10-year senior unsecured notes at 10-year Treasury + 125 bps, an approximately 20 bps new issue premium
 - Similarly, Arizona Public Service (Baa2/BBB-) priced \$150 million 30-year senior unsecured notes on July 31st at 30-year Treasury + 175 bps, an approximately 20 bps new issue premium

- ◆ Finally, we do not believe that PacifiCorp paid a premium for issuing under rule 144A with registration rights versus SEC-registered (at inception)

Peer Group Analysis

Lehman Brothers 30-year A3/A- Utility Credit Index Statistics

30-year A3/A- Utility Index	Average Maturity (years)	Option Adjusted Spread ⁽¹⁾
30-year A3/A- Utility Index	28.0	117 bps
<i>Adjusted for Maturity ⁽²⁾</i>	30.0	0 bps
<i>Adjusted for New Issue Premium ⁽³⁾</i>		4 bps
<i>Indicative New Issue Equivalent</i>		121 bps

PacifiCorp New Issue Spread vs. Lehman Brothers 30-year A3/A- Utility Credit Index

PacifiCorp New Issue Levels	Maturity (years)	New Issue Spread
30-year	30.0	106 bps
<i>vs 30-year A3/A- Utility Index (adjusted)</i>		-15 bps

1- Option Adjusted Spread or OAS is the spread at which a security would be trading over a benchmark if it had no embedded optionality (such as call and put options)

2- The Treasury and swap curve being flat/ slightly inverted in long-dated maturities, we did not make adjustments for differences in maturity for 30-year maturities

3- New issue premium will depend on a number of factors, including most importantly the tone in the credit market as well as the price of the comparable secondary bond vs. a new par bond, any potential credit issues and level of issuance in that part of the curve

PacifiCorp New Issue Levels vs. Peers

Indicative 30 year First Mortgage Bond New Issue Levels

30-year New Issue Levels

Issuer	Ratings	Security	Maturity	A - Secondary Spreads	B - Adjustment for Maturity (1)	C - New Issue Concession (2)	A + B + C = Indicative New Issue Spreads
AmerenUE	A2 / BBB+	FMB	2037	+ 123 bps	+ 0 bps	+ 12 bps	+ 135 bps
Carolina Power & Light	A3 / BBB	FMB	2035	+ 120 bps	+ 0 bps	+ 5 bps	+ 125 bps
Columbus Southern Power	A3 / BBB	Unsecured	2033	+ 125 bps	+ 1 bps	+ 14 bps	+ 140 bps
Commonwealth Edison	Baa2 / A-	FMB	2036	+ 130 bps	+ 0 bps	+ 10 bps	+ 140 bps
Consolidated Edison	A1 / A	Unsecured	2036	+ 111 bps	+ 0 bps	+ 4 bps	+ 115 bps
Northern States Power	A2 / A-	FMB	2036	+ 108 bps	+ 0 bps	+ 2 bps	+ 110 bps
Ohio Power	A3 / BBB	Unsecured	2033	+ 125 bps	+ 1 bps	+ 14 bps	+ 140 bps
Southern California Edison	A3 / BBB+	FMB	2036	+ 112 bps	+ 0 bps	+ 3 bps	+ 115 bps
Wisconsin Electric Energy Power	A1 / A-	Unsecured	2033	+ 108 bps	+ 0 bps	+ 5 bps	+ 113 bps
Average				+ 118 bps	+ 0 bps	+ 8 bps	+ 126 bps

PacifiCorp New Issue	Ratings	Security	Maturity	New Issue Pricing	PacifiCorp vs Peers Average
PacifiCorp	A3 / A-	FMB	2036	+ 106 bps	- 20 bps

1- Estimate of how much investors will charge on a new issue for the interest rate curve plus spread curve between an existing maturity and a new 30-year

2- New issue premium will depend on a number of factors, including most importantly the tone in the credit market. New issue premiums will also be influenced by the price of the comparable secondary bond. Apart from the influence of market conditions and the price of the existing security, PacifiCorp paid no new issue premium for the following reasons: (i) unique ownership and access to capital, (ii) limited or contained direct (ComEd) or indirect (AmerenUE) regulatory issues and (iii) not a serial issuer of 10- and/or 30-year maturities (ConEdison)

YTD 30-year A-Rated First Mortgage Bond Utility Supply

30-year A-rated First Mortgage Bonds Utility Issuances since January 1, 2006

Issue Date	Issuer	Security Type	Size (\$mm)	Coupon	Ratings	Maturity	Actual/ Implied New Issue Spread ⁽¹⁾
1/24	Southern California Edison	FMB	350	5.625%	A3 / BBB+	2/1/36	+111
2/27	Commonwealth Edison	FMB	325	5.900%	Baa1 / A-	3/15/36	+135
5/17	Detroit Edison	FMB	250	6.625%	A3 / BBB+	6/1/36	+130
5/18	Northern States Power	FMB	400	6.250%	A2 / A-	6/1/36	+105
6/1	Connecticut Light & Power	FMB	250	6.350%	A3 / BBB+	6/1/36	+108
6/8	Central Illinois Light Co	Fall Away FMB	42	6.700%	A3 / A-	6/15/36	+160
6/8	Central Illinois Public Service	Fall Away FMB	62	6.700%	A3 / A-	6/15/36	+160
6/20	South Carolina Electric & Gas	FMB	125	6.250%	A1 / A-	7/1/36	+100
Average							+126
vs. PacifiCorp			350	6.100%	A3 / A-		-20

1 - All issuances prior to June 1, 2006 were adjusted 5 bps wider given the change in market tone starting in May/June, at which point investors generally started charging issuers a new issue premium.

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Recent Utility Supply – 30-year Maturities

30-year Investment Grade Utility Issuances since June 1, 2006

Issue Date	Issuer	Security Type	Size (\$mm)	Coupon	Ratings	Maturity	Spread
6/1	Connecticut Light & Power	FMB	250	6.350%	A3 / BBB+	6/1/36	+108
6/6	Xcel Energy Inc.	Notes	300	6.500%	Baa1 / BBB-	7/1/36	+140
6/8	Central Illinois Light Co	Fall Away FMB	42	6.700%	A3 / A-	6/15/36	+160
6/8	Central Illinois Public Service	Fall Away FMB	62	6.700%	A3 / A-	6/15/36	+160
6/12	Consolidated Edison	Notes	400	6.200%	A1 / A	6/15/36	+110
6/20	South Carolina Electric & Gas	FMB	125	6.250%	A1 / A-	7/1/36	+100
6/21	Ohio Edison	Notes	350	6.875%	Baa2 / BBB-	7/15/36	+165
6/23	Puget Sound Energy	Fall Away FMB	250	6.724%	Baa2 / BBB	6/15/36	+140
7/18	Energy East	Notes	250	6.750%	Baa2 / BBB	7/15/36	+160
7/31	Arizona Public Service	Notes	150	6.875%	Baa2 / BBB-	8/1/36	+175
Average					Baa1 / BBB+		+142
vs. PacifiCorp			350	6.100%	A3 / A-		-36

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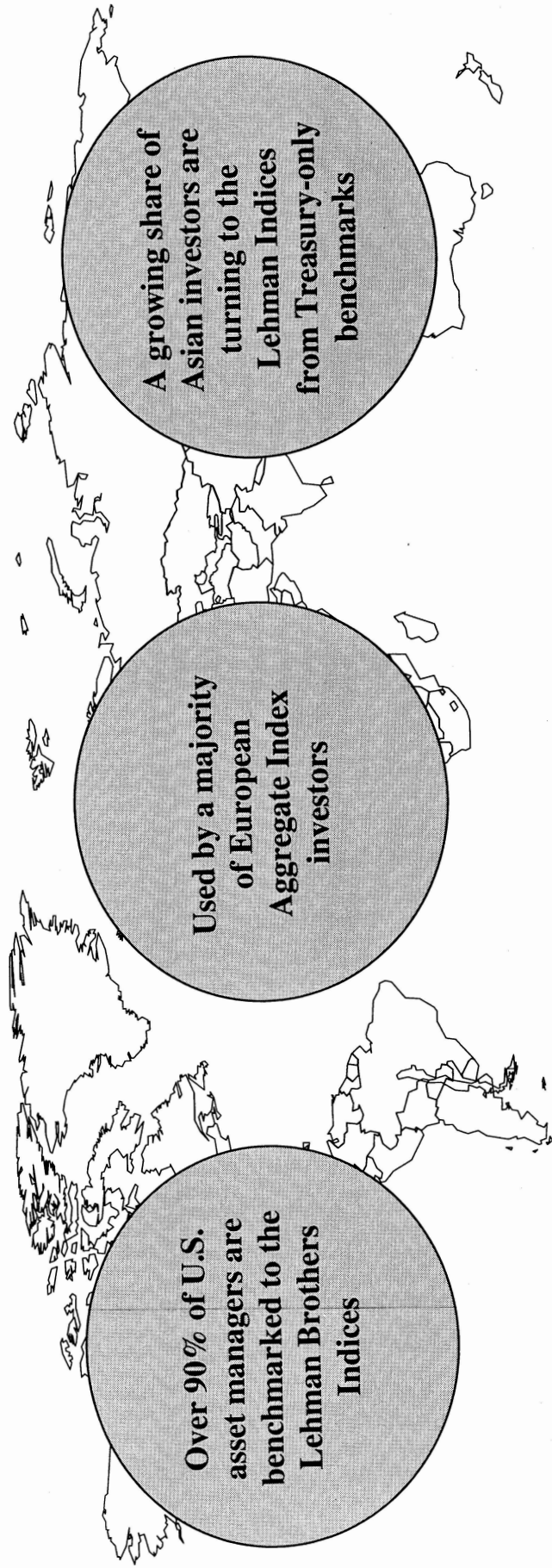
Lehman Brothers Indices

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Importance of Lehman Brothers' Indices

Institutional investors are ultimately judged versus their benchmarks. Lehman Brothers is the world's leading provider of Fixed Income benchmarks

- ◆ Lehman Brothers was the first firm to publish bond indices in 1973
- ◆ Voted #1 Index provider by *Institutional Investor* since rankings began in 1997
- ◆ Coverage of over 55,000 securities with a market value greater than \$28 trillion
- ◆ Approximately \$5.5 trillion in assets managed against the Lehman Indices globally
- ◆ Voted #1 Index Franchise in Europe in 2005 by *Institutional Investor* and EUROMONEY



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Index Criteria

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Our peer group analysis only includes index eligible debt. The criteria for inclusion in the Lehman Brothers Credit Indices include the following:

- 1- Must have at least one year to final maturity regardless of call features
- 2 -Must have at least \$250 million par amount outstanding
- 3- Must be fixed rate, although it can carry a coupon that steps up or changes according to a predetermined schedule
- 4- Must be dollar-denominated and non-convertible
- 5- Must be publicly issued

**Lehman Brothers A3 / A- Utility Index Members – 30-year Maturities
(Customized Index)**

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Lehman Brothers 30-year A3/A- Utility Index

Ticker	Description	Moody's	S&P	Amount		Maturity Date	OAS
				Outstanding	Coupon		
AEP	OHIO POWER	A3	BBB	250,000	6.600	2/15/2033	125
AEP	COLUMBUS SOUTHERN POWER	A3	BBB	250,000	6.600	3/1/2033	125
AEP	COLUMBUS SOUTHERN POWER	A3	BBB	250,000	5.850	10/1/2035	125
BRK	PACIFICORP	A3	A-	300,000	7.700	11/15/2031	106
BRK	PACIFICORP	A3	A-	300,000	5.250	6/15/2035	106
BRK	MIDAMERICAN ENERGY CO	A2	A-	400,000	6.750	12/30/2031	107
BRK	MIDAMERICAN ENERGY CO	A2	A-	300,000	5.750	11/1/2035	107
DTE	DETROIT EDISON	A3	BBB+	250,000	6.625	6/1/2036	135
DTE	DETROIT EDISON	A3	BBB+	250,000	5.700	10/1/2037	135
DUK	DUKE ENERGY CORP	A3	BBB	350,000	6.450	10/15/2032	123
EIX	SOUTHERN CALIFORNIA EDISON	A3	BBB+	525,000	6.000	1/15/2034	114
EIX	SOUTHERN CALIFORNIA EDISON	A3	BBB+	350,000	5.750	4/1/2035	112
EIX	SOUTHERN CALIFORNIA EDISON	A3	BBB+	350,000	5.350	7/15/2035	112
EIX	SOUTHERN CALIFORNIA EDISON	A3	BBB+	250,000	5.550	1/15/2036	112
EIX	SOUTHERN CALIFORNIA EDISON	A3	BBB+	350,000	5.625	2/1/2036	112
EXC	COMMONWEALTH EDISON	BAA2	A-	254,000	5.875	2/1/2033	129
EXC	COMMONWEALTH EDISON	BAA2	A-	325,000	5.900	3/15/2036	130
GXP	KANSAS CITY POWER & LT	A3	BBB	250,000	6.050	11/15/2035	140
KSE	KEYSPAN CORP	A3	A	250,000	8.000	11/15/2030	128
KSE	KEYSPAN CORP	A3	A	307,200	5.803	4/1/2035	129
NU	CONNECTICUT LIGHT & POWER	A3	BBB+	250,000	6.350	6/1/2036	113
PEG	PUB SVC ELECTRIC & GAS	A3	A-	250,000	5.250	7/1/2035	117
SCG	SOUTH CAROLINA E&G	A1	A-	300,000	6.625	2/1/2032	112
SCG	SOUTH CAROLINA E&G	A1	A-	300,000	5.300	5/15/2033	112
TRP	TRANSCANADA PIPELINES	A2	A-	350,000	5.600	3/31/2034	120
TRP	TRANSCANADA PIPELINES	A2	A-	500,000	5.850	3/15/2036	119
WEC	WISCONSIN ELECTRIC POWER	A1	A-	335,000	5.625	5/15/2033	108
XEL	NORTHERN STATES PWR MINN	A2	A-	250,000	5.250	7/15/2035	108
XEL	NORTHERN STATES PWR MINN	A2	A-	400,000	6.250	6/1/2036	108
Total				9,046,200			117