Rocky Mountain Power
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Direct Testimony of Bruce N. Williams

Cost of Capital

January 2014

Q. Please state your name, business address, and present position with PacifiCorp dba Rocky Mountain Power ("the Company").

A. My name is Bruce N. Williams. My business address is 825 NE Multnomah Street, Suite 1900, Portland, Oregon 97232. My present position is Vice President and Treasurer.

Qualifications

Q. Please describe your education and business experience.

A. I received a Bachelor of Science degree in Business Administration with a concentration in Finance from Oregon State University in 1980. I also received the Chartered Financial Analyst designation upon passing the examination during 1986. I have been employed by the Company for 28 years. My business experience has included financing of the Company's electric operations and non-utility activities, responsibility for the investment management of the Company's qualified and non-qualified retirement plan assets, and investor relations.

Q. Please describe your present duties.

A. I am responsible for the Company's treasury, credit risk management, pension and other investment management activities. I am also responsible for the preparation of the Company's embedded cost of debt and preferred equity and any associated testimony related to capital structure for regulatory filings in all of PacifiCorp's state and federal jurisdictions.

Summary of Testimony

Q. Please provide a summary of your testimony.

A. My testimony discusses the Company's capital structure and costs of capital. It supports the proposed common equity level of 51.60 percent and provides evidence that such level is appropriate and benefits customers. Those benefits include maintaining the Company's current credit ratings, which will facilitate continued access to the capital markets for the Company, and providing a more competitive cost of debt and overall cost of capital over the long-term. I also support the Company's cost of long-term debt of 5.28 percent and cost of preferred stock of 6.75 percent.

Q. What is the overall cost of capital that you are proposing in this proceeding?

A. Rocky Mountain Power is proposing an overall cost of capital of 7.72 percent. This cost includes the return on equity recommendation of 10.00 percent from Dr. Samuel C. Hadaway and the following capital structure and costs:

Overall Cost of Capital			
	Percent of Total	Cost	Weighted Ave
Long Term Debt	48.38%	5.28%	2.56%
Preferred Stock	0.02%	6.75%	—%
Common Stock Equity	51.60%	10.00%	5.16%
	100.00%		7.72%

Q. How does the proposed overall cost of capital compare to the Company's current authorized cost of capital?

A. The proposed overall cost of capital is a slight increase of four basis points (0.04 percent) compared to the 7.68 percent currently reflected in rates and adopted in the Commission Order issued September 19, 2012, in Docket Nos. 11-035-200, 12-035-79 and 12-035-80. As I will discuss in more detail later in this testimony, by maintaining its credit ratings, the Company has been able to continue to lower its cost of long-term debt and moderate increases to customers.

Financing Overview

Q. Please explain Rocky Mountain Power's need for and sources of new capital.

A. Rocky Mountain Power is in the process of adding significant new plant investments over multiple years. These investments include required pollution control equipment, new generation, transmission facilities and other capital investments to properly maintain the existing infrastructure. These investments help system reliability, improve power delivery and help to assure safe operations for the benefit of customers.

Q. How does the Company finance its regulated electric utility operations?

A. The Company finances its regulated utility operations with a mix of debt and common equity capital. During periods of significant capital expenditures or periods following the end of bonus depreciation, both of which are currently occurring, the Company will need to maintain a common equity component in excess of 50 percent of the capital structure in order to maintain its credit rating and finance the debt component of the capital structure at the lowest reasonable cost to customers. The end of bonus depreciation is another material factor causing the Company to maintain a common equity component above the 50 percent level. This capital structure provides more flexibility regarding the type and timing of debt financing, better access to the capital markets, a more competitive cost of debt and, over the long run, more stable credit ratings, all of which assist in financing such expenditures.

In addition, all else being equal, the Company will need to have a greater common equity component to offset various adjustments that rating agencies make to the debt component of the Company's published financial statements. I will discuss these adjustments in greater detail later in this testimony.

Credit Ratings

Q. What are the Company's current credit ratings?

A. The Company's current ratings are:

	Fitch	**Moody's**	**Standard & Poor's**
Senior Secured Debt	A-	A2	A
Senior Unsecured Debt	BBB+	Baa1	A-
Outlook	Stable	Stable	Stable

Q. Why should this Commission be concerned about credit ratings and the views expressed by rating agencies?

A. Credit ratings and the views of rating agencies are important for several reasons. First, the credit rating of a utility has a direct impact on the price that a utility pays to attract the capital necessary to support its current and future operating needs. Many institutional investors have fiduciary responsibilities to their clients and are typically not permitted to purchase non-investment grade (*i.e.*, rated below BBB-) securities or, in some cases, even securities rated below single A.

Second, credit ratings are an estimate of the probability of default by the issuer on each rated security. Lower ratings equate to higher risks and higher costs of debt. But even investment grade rated borrowers have experienced problems accessing the capital markets or been shut out entirely. The financial crisis of 2008 and 2009 provided clear and compelling evidence of the benefits of the Company's credit rating as it was able to issue new long-term debt during the midst of the financial turmoil. Other lower-rated utilities were simply shut out of the market and could not obtain new capital regardless of how much they were willing to pay.

Further, the Company has a near constant need for short-term liquidity, as well as periodic long-term debt issuances. On a daily basis, the Company pays significant amounts to suppliers to provide necessary goods and services, such as fuel, spare parts, and inventory. Being unable to access funds can jeopardize the successful completion of necessary capital infrastructure projects and would increase the chance of outages and service failures over the long term.

Q. Can regulatory actions or orders affect a company's credit rating?

A. Yes, in a very significant way. Regulated utilities are fairly unique since they cannot set their own prices for their services. The financial integrity of a regulated utility is significantly impacted by how the utility is treated on cost recovery issues and in the rates set by regulators. Rates are established by regulators to permit the utility to recover prudently incurred operating expenses and a reasonable opportunity to earn a fair return on the capital invested. Therefore, rate decisions by utility commissions have a direct and significant impact on the financial condition of utilities.

Rating agencies and investors have a keen understanding of the importance of regulatory outcomes. For example, Standard & Poor's ("S&P") writes:

> The assessment of regulatory risk is perhaps the most important factor in Standard & Poor's Ratings Services' analysis of a U.S. regulated, investor-owned utility's business risk.[1]

Similarly, Moody's has stated:

[1] Standard & Poor's Ratings Direct-Assessing U.S. Utility Regulation Environments (March 11, 2010).

> For a regulated utility, the predictability and supportiveness of the regulatory framework in which it operates is a key credit consideration and the one that differentiates the industry from most other corporate sectors. The most direct and obvious way that regulation affects utility credit quality is through the establishment of prices or rates for the electricity, gas and related services provided (revenue requirements) and by determining a return on a utility's investment, or shareholder return.[2]

Q. How does maintaining the Company's current credit ratings benefit customers?

A. The Company is in the midst of a period of capital spending and investing in infrastructure to provide for the needs of customers and to meet regulatory and legislative mandates. If the Company does not have consistent access to the capital markets at reasonable costs, these borrowings and the resulting costs of building new facilities become more expensive than they otherwise would be. The inability to access financial markets can threaten the completion of these necessary projects, which will, in turn, affect system reliability and customer safety. All of the resulting higher costs are ultimately borne by the customers. Maintaining the current single-A credit rating for senior secured debt makes it more likely the Company will have access to the capital markets at reasonable costs, even during periods of financial turmoil. This rating will allow the Company continued access to the capital markets, which will enable it to fulfill its capital investments for the benefit of customers.

Q. Can you provide an example of how the current ratings have benefited customers?

A. Yes. One example is the Company's ability to significantly reduce its cost of

[2] Moody's Investors Service Regulated Electric and Gas Utilities (August 2009).

long-term debt primarily through obtaining new financings at very attractive interest rates. These lower debt costs benefit customers via lower overall rate of return and lower revenue requirements.

The table below shows the reduction in the Company's cost of long-term debt since June 2010.

Docket No.	2014 GRC Proposed June 2015	11-035-200 March 2013	10-035-124 June 2012	09-035-23 June 2010
Cost of Long-Term Debt	**5.28%**	**5.37%**	**5.71%**	**5.98%**

Clearly, customers have benefitted from a 70 basis points (0.70 percent) reduction in the Company's cost of long-term debt. The Company estimates that this reduction in the average cost of debt since June 2010 results in a decrease of approximately $20 million in the revenue requirements in this case.

Q. Are there other identifiable advantages to a favorable rating?

A. Yes. Higher-rated companies have greater access to the long-term markets for power purchases and sales. This access provides these companies with more alternatives when attempting to meet the current and future load requirements of their customers. Additionally, a company with strong ratings will often avoid costly collateral requirements that are typically imposed on lower-rated companies when securing power in these markets.

Maintaining the current single-A rating provides the best balance between costs and the continued access to the capital markets necessary to fund capital projects for the benefit of customers.

Q. Is the proposed capital structure consistent with the Company's current credit rating?

A. Yes. This capital structure is intended to enable the Company to deliver its required capital expenditures and achieve financial metrics that will meet rating agency expectations. S&P has stated very clearly its expectations for PacifiCorp:

> The stable outlook on PacifiCorp reflects our expectation that management will continue to focus on its core utility operations and reach [constructive] regulatory outcomes to avoid any meaningful business risk rise. The outlook also includes our projection that cash flow measures will decrease as construction project[s] move forward and bonus depreciation benefits decrease. Our base forecast includes adjusted FFO to total debt of about 18%, adjusted debt to EBITDA of roughly 4x, and adjusted debt to total capital hovering at 50%. These measures are consistent with our expectations for the rating. We could lower ratings if financial measures consistently underperform our base forecast and remain at less credit-supportive levels…. We do not contemplate positive rating actions because of near-term capital needs, but we could raise ratings if financial measures strengthen and consistently exceed our base forecast[.][3]

Q. Do the Company's credit ratings benefit because of MidAmerican Energy Holdings Corporation ("MEHC") and its parent Berkshire Hathaway?

A. Yes. Although ring-fenced, historically the Company's credit ratios have been weak for the ratings levels, and the Company has been able to sustain its ratings, in part, through MEHC and its parent, Berkshire Hathaway. S&P, Fitch and Moody's have been very clear on this point in recent assessments of PacifiCorp:

> The company's significant financial profile is supported by modest use of leverage to finance a large capital program and parent MidAmerican Energy Holdings Co.'s willingness to deploy equity into PacifiCorp as needed to support the company's capital structure as it expands its rate base . . . . The cash credit metrics we expect the company to achieve after this year are just adequate, in our view, to support the ratings, providing little cushion for the

[3] Standard & Poor's Ratings Direct (October 23, 2012), attached as Exhibit RMP___(BNW-1).

> company to deviate.[4]

> PPW's ratings and outlook also reflect the benefits of affiliation with ultimate corporate parent, Berkshire Hathaway (BRK) . . . . Loss of the benefits of BRK ownership would have negative rating implications.[5]

> The rating also considers PacifiCorp's position as a subsidiary of MEHC, a holding company whose subsidiaries are primarily engaged in regulated activities, and the benefits from its affiliation with BRK.[6]

Clearly, PacifiCorp and its customers have benefited from higher ratings than the Company would otherwise likely have been awarded on a stand-alone basis. Another important element supporting the Company's current ratings is the rating agencies' expectations that PacifiCorp will receive supportive regulatory treatment, including reasonable outcomes in rate proceedings and applications to recover the full cost of large scale capital projects. Absent ownership by MEHC and supportive regulatory treatment that permits a fair opportunity for the Company to recover its reasonable and prudent costs, including a return on its investment comparable to other similarly situated utilities, PacifiCorp's senior secured and corporate credit ratings would have likely suffered a downgrade of at least one rating level.

Q. Do rating agencies share a view concerning the need for supportive rate case outcomes?

A. Yes, quite clearly. Fitch stated: "Ratings stability is predicated on reasonable outcomes in pending and future rate proceedings to recover anticipated, significant capital investments. A key rating concern is the execution of a large

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[4] Standard & Poor's Ratings Direct (April 26, 2012), attached as Exhibit RMP___(BNW-2).
[5] Fitch Ratings (November 16, 2011), attached as Exhibit RMP___(BNW-3).
[6] Moody's Investors Service (May 8, 2013), attached as Exhibit RMP___(BNW-4).

capital plan and timely recovery of related costs."[7] Fitch has further stated:

> Given the size of its planned capital investment, timely recovery of capital and related operating and maintenance costs is crucial for PPW's creditworthiness. Therefore, currently unanticipated adverse developments in PPW's six regulatory jurisdictions, leading to greater regulatory lag or lower recoveries, and resulting weaker coverage ratios compared with Fitch's projections could lead to future deterioration in PPW's creditworthiness and lower credit ratings.[8]

Likewise, Moody's lists "Reasonably supportive regulatory environment" as one of the ratings drivers, stating: "The stable outlook incorporates Moody's expectation that PacifiCorp will continue to receive reasonable regulatory treatment for the recovery of its capital expenditures[.]"[9] Moody's further stated that one of the factors that could cause the rating to be lowered is "adverse regulatory rulings on current and future rate cases such that we would anticipate a sustained deterioration in financial metrics[.]"[10] Moody's notes "Regulatory lag is a challenge for PacifiCorp, which has long maintained large capital programs to meet load growth as well as regulatory requirements for emissions control, renewable standards, and reliability."[11]

S&P concurs, writing "A key ongoing challenge for PacifiCorp is whether it will be able to achieve rate relief at levels necessary to sustain the company's capital investment program."[12] S&P also noted that "supportive rate case outcomes remain key to maintaining and improving upon the company's financial

[7] Fitch Ratings (September 16, 2013), attached as Exhibit RMP___(BNW-5).
[8] Fitch Ratings (January 6, 2011), attached as Exhibit RMP___(BNW-6).
[9] Moody's Investors Service (May 8, 2013), attached as Exhibit RMP___(BNW-7).
[10] Moody's Investors Service (May 8, 2013).
[11] Moody's Investors Service (May 8, 2013).
[12] Standard & Poor's Ratings Direct (April 29, 2013), attached as Exhibit RMP___(BNW-8).

performance."[13]

Capital Structure Determination

Q. How did the Company determine the capital structure proposed in this case?

A. The test period in this proceeding is the 12 months ending June 30, 2015. To appropriately match the Company's costs with customer prices during the period, the capital structure is based on the actual capital structure at September 30, 2013, and forecasted capital activity, including known and measurable changes, through June 30, 2015. The Company has averaged the five quarter-end capital structures measured beginning at June 30, 2014, and concluding with June 30, 2015. The capital activity includes known maturities of certain debt issues that were outstanding at September 30, 2013, subsequent issuances of long-term debt and any dividends paid. The known and measurable changes represent actual and forecasted capital activity since September 30, 2013.

Q. Why is Rocky Mountain Power using an average of five quarter ends to determine the proposed capital structure?

A. As the Company has grown, its capital expenditure program has increased significantly from historical levels which, in turn, has required new financings to also be much larger. These larger financings are usually more efficient due to lower transactional costs, and better received by investors who value the greater liquidity that larger financings typically offer. However, the trade-off is greater volatility in the Company's capital structure ratios, particularly at quarter-end following sizable financings. As such, the Company is proposing in this case to use a capital structure that employs an average of the five quarter-end balances to

[13] Standard & Poor's Ratings Direct (April 28, 2011), attached as Exhibit RMP___(BNW-9).

help smooth out this volatility. The Commission has historically accepted the five quarter average methodology beginning with its order in Docket No. 09-035-23. Accordingly, the Company is calculating its capital structure in this case in the same manner as in its last several Utah general rate cases.

Q. How does the Company's proposed capital structure compare to the stipulated capital structure in the Company's 2012 general rate case?

A. The capital structures are compared in the table below.

	2014 General Rate Case	2012 General Rate Case
Long-Term Debt	48.38%	47.6%
Preferred Stock	0.02%	0.3%
Common Equity	51.60%	52.1%
Totals	100.00%	100.0%

The proposed capital structure in the present case has a slightly lower common equity component than the stipulated capital structure in the 2012 general rate case which the Commission approved as part of the settlement of that case. This decrease in equity, albeit slight, is possible as the Company's credit metrics have strengthened, which should permit the current credit ratings to be maintained at the lower equity component.

Financing Overview

Q. Please explain the Company's capital needs.

A. The Company continues to have ongoing investment in generation, transmission and distribution infrastructure. These and future capital additions and investments will require the Company to raise funds by issuing significant amounts of new long-term debt in the capital markets. To help obtain this new debt financing at attractive rates, the Company is maintaining a balanced capital structure intended to support current credit ratings. These actions help to ensure that PacifiCorp remains well positioned to finance the additional investments that have been and will continue to be made in the system at reasonable costs to customers.

Q. What type of debt and preferred equity securities does the Company employ in meeting its financing requirements?

A. The Company relies on a mix of first mortgage bonds, other secured debt, tax-exempt debt, and preferred stock to meet its long-term financing requirements. These securities employ various maturities to provide flexibility and mitigate refinancing risks.

The Company has completed the majority of its long-term financing utilizing secured first mortgage bonds issued under the Mortgage Indenture dated January 9, 1989. Exhibit RMP___(BNW-11) shows that over the 12 months ended June 30, 2015, the Company is projected to have an average of approximately $6.6 billion of first mortgage bonds outstanding, with an average cost of 5.59 percent. Presently, all outstanding first mortgage bonds bear interest at fixed rates. Proceeds from the issuance of the first mortgage bonds (and other financing instruments) are used to finance the combined utility operation.

Another important source of financing has been the tax-exempt financing associated with certain qualifying equipment at power generation plants. Under arrangements with local counties and other tax-exempt entities, the Company borrows the proceeds and guarantees the repayment of the long-term debt to take advantage of the tax-exempt status of the other entities in financings. During the 12 months ended June 30, 2015, the Company's tax-exempt portfolio is projected to be on average $574 million in principal amount, with an average cost of 1.71 percent (including the cost of issuance and credit enhancement).

Recently, the Company completed the redemption of all outstanding shares of redeemable preferred stock. The redemption and refinancing of these securities provide a substantial benefit to customers that I discuss later in this testimony.

Q. In the past, the Company retained all of its earnings to help finance capital investments. Has the Company recently paid dividends to MEHC?

A. Yes. Since the acquisition in 2006 by MEHC, the Company managed the capital structure through the timing and amount of long-term debt issuances and capital contributions, while forgoing any common dividends for nearly five years.

More recently, the Company has initiated the payment of dividends to MEHC to help manage the common equity percentage in its capital structure and expects periodic dividend payments for the foreseeable future. The proposed capital structure in this case includes the impact of dividends expected to be declared through the end of June 30, 2015. In fact, absent these dividends, the Company's capital structure would contain a higher level of common equity than the Company is proposing.

Q. More specifically, what future financing activity does the Company anticipate through the period ending June 30, 2015?

A. For the period from January, 2014 through June 30, 2015, the Company anticipates: (1) issuance of $675 million of new long-term debt; (2) retirement of approximately $245 million of long-term debt at scheduled maturities; and (3) declaration and payment of $1,175 million of dividends to MEHC. All of these have been included in the Company's proposed capital structure.

Preferred Stock Refinancing

Q. Please discuss the refinancing of preferred stock you mentioned earlier.

A. During 2013 the Company redeemed all remaining outstanding shares of six series of redeemable preferred stock at stated redemption prices. These six series totaled approximately $38 million in stated value and were the entirety of all preferred stock that had a redemption feature. The Company funded the redemption with cash and will complete the permanent refinancing with proceeds of the next long term debt financing, currently forecasted for March 2014.

Following these redemptions, the Company now has two series of non-redeemable preferred stock outstanding with an aggregate stated value of $2.4 million. These two remaining series do not have a redemption feature that would allow the Company to retire them.

Q. Are these actions included in the Company's proposed capital structure?

A. Yes. I have removed the preferred stock that was redeemed from the proposed capital structure and the projected March 2014 long-term debt issuance has been sized to include this refinancing.

Q. How does the Company propose to recover the redemption premiums and stock issuance expenses?

A. PacifiCorp is requesting the Commission authorize the Company to defer to Balance Sheet Account 182.3, *Other Regulatory Assets*, the amount of the premium to redeem the preferred stock as well as the related unamortized stock expense balance from Account 214 by crediting Account 407.4 *Regulatory Credits*. These amounts were debited to Account 439, *Adjustments to retained earnings* to the extent they exceeded the balance in Account 210, *Gain on resale or cancellation of reacquired stock*. PacifiCorp requests an amortization life for this regulatory asset consistent with the new long-term debt refunding issuance projected for March 2014. See Exhibit RMP___(BNW-10) for a detailed description of the accounting treatment the Company is requesting.

This requested accounting is similar to the regulatory accounting treatment provided for a debt refunding prior to stated maturity under General Instruction 17 of the FERC Uniform System of Accounts ("USOA") with amounts deferred to balance sheet account 189, *Unamortized loss on reacquired debt*.

The Company proposes recovery of these charges through the weighted average cost of debt as currently reflected in the cost of long-term debt Exhibit RMP___(BNW-11), page 2, line 24 as redemption expenses associated with the pro-forma March 2014 long-term debt issuance.

Q. Have you estimated the impacts on customers?

A. Yes. Absent the preferred stock refinancing, Utah customer rates would be $0.5 million higher annually.

The table below shows the Company's proposed capital structure and costs of each component and then a pro forma capital structure that removes the impact of the preferred stock refinancing.

Proposed Capital Structure and Costs			
	Percent of Total	Cost	Weighted Ave
Long Term Debt	48.382 %	5.2805 %	2.5548 %
Preferred Stock	0.016 %	6.7527 %	0.0011 %
Common Stock Equity	51.602 %	10.0000 %	5.1602 %
	100.000 %		7.7161 %
WACC Benefit of Preferred Refinancing			0.0004 %

Pro-forma w/o Preferred Refinancing			
	Percent of Total	Cost	Weighted Ave
Long Term Debt	48.122 %	5.2809 %	2.5413 %
Preferred Stock	0.276 %	5.4274 %	0.0150 %
Common Stock Equity	51.602 %	10.0000 %	5.1602 %
	100.000 %		7.7165 %

The preferred stock redemption and refinancing provides a lower overall cost of capital which translates into a revenue requirement savings. This savings arises by redeeming preferred stock with a weighted average after-tax dividend rate of 4.925 percent with new long-term debt that has a projected 3.065 percent after-tax rate, including amortization of preferred stock redemption costs. The cost of preferred stock increases because the surviving preferred stock, which is not redeemable, carries higher dividend rates than the callable preferred stock that was redeemed. The cost of long-term debt decreases as the cost of long-term debt to refinance the preferred stock is lower than the pro forma average cost of long-term debt without the preferred stock redemption and refinancing. The cost of debt now includes the unrecovered costs related to certain hybrid debt securities, Exhibit RMP___(BNW-11), page 3, lines 90 and 91, which were previously recovered through the cost of preferred stock. This shift has no impact on customer rates and is appropriate given the small amount of remaining preferred stock and is consistent with accounting treatment for these costs.

To better show the beneficial impacts of this refinancing I have also calculated total cost of capital using the after-tax cost of debt. As interest expense is deductible, this better captures the full benefit of redeeming the preferred stock and refinancing with lower after-tax cost of debt.

Proposed Capital Structure and Costs	% of Total	Cost	Weighted Ave
Long Term Debt	48.382 %	3.2766 %	1.5853 %
Preferred Stock	0.016 %	6.7527 %	0.0011 %
Common Stock Equity	51.602 %	10.0000 %	5.1602 %
	100.000 %		6.7466 %
WACC Benefit of Preferred Refinancing			0.0055 %

Pro-forma w/o Preferred Refinancing	% of Total	Cost	Weighted Ave
Long Term Debt	48.122 %	3.2768 %	1.5769 %
Preferred Stock	0.276 %	5.4274 %	0.0150 %
Common Stock Equity	51.602 %	10.0000 %	5.1602 %
	100.000 %		6.7521 %

Overall, these actions result in a reduction in the overall weighted average cost of capital and provide an approximate $0.5 million reduction in revenue requirement in this case. The deferral treatment for the redemption premium and stock expense as a refunding cost of the new long-term debt refunding issuance results in a lower overall pre-tax and post-tax weighted average cost of capital, compared to a scenario without the redemptions of preferred stock. Reducing the cost of capital through refunding of the preferred stock is a benefit to RMP ratepayers.

Purchase Power Agreements

Q. Is the Company subject to rating agency debt imputation associated with Purchase Power Agreements?

A. Yes. Rating agencies and financial analysts consider Purchase Power Agreements ("PPAs") to be debt-like and will impute debt and related interest when calculating financial ratios. For example, S&P will adjust the Company's published financial results and impute debt balances and interest expense resulting from PPAs when assessing creditworthiness. It does so in order to obtain a more accurate assessment of a company's financial commitments and fixed payments. Exhibit RMP___(BNW-12) is a publication by S&P detailing its view of the debt aspects of PPAs.

Q. How does this impact the Company?

A. During a recent ratings review, S&P evaluated the Company's PPAs and other related long-term commitments. Approximately $229 million of additional debt and related interest expense were added to the Company's debt and coverage tests solely as a result of PPAs. There were also other adjustments made by S&P that resulted in a total of approximately $843 million of debt and $21 million of interest being imputed into PacifiCorp's credit ratios.

Q. How would the inclusion of this PPA related debt and these other adjustments affect the Company's capital structure as S&P reviews your credit metrics?

A. Negatively. By including the imputed debt resulting from PPAs and these other adjustments, the Company's capital structure has a lower equity component as a corollary to the higher debt component, lower coverage ratios and reduced financial flexibility than what might otherwise appear to be the case from a review of the book value capital structure. For example, if one were to add the $843 million of debt adjustments that Standard & Poor's makes to the Company's capital structure in this case, the resulting common equity percentage would decline from 51.60 percent to 48.82 percent. The resulting 48.82 percent equity ratio falls below S&P's published expectations for PacifiCorp.

	Book Values ($m)	% of Total	Rating Agency Adjustments ($m)	Adjusted Book Values ($m)	% of Total
Long Term Debt	$ 7,149	48.38%	$ 843	$ 7,992	51.17%
Preferred Stock	2	0.02%	(1)	1	0.01%
Common Equity	7,625	51.60%	—	7,625	48.82%
	$ 14,776	100.00%	$ 842	$ 15,618	100.00%

Financing Cost Calculations

Q. How did you calculate the Company's embedded costs of long-term debt and preferred stock?

A. I calculated the embedded costs of debt and preferred stock using the methodology relied upon in the Company's previous rate cases in Utah and other jurisdictions.

Q. What is the Company's embedded cost of long-term debt?

A. The cost of long-term debt is 5.28 percent for the period ending June 30, 2015, as shown in Exhibit RMP___(BNW-11).

Q. Please explain the cost of long-term debt calculation.

A. I calculated the cost of debt by issue, based on each debt series' interest rate and net proceeds at the issuance date, to produce a bond yield to maturity for each series of debt. It should be noted that in the event a bond was issued to refinance a higher cost bond, the pre-tax premium and unamortized costs, if any, associated with the refinancing were subtracted from the net proceeds of the bonds that were issued. Each bond yield was then multiplied by the principal amount outstanding of each debt issue, resulting in an annualized cost of each debt issue. Aggregating the annual cost of each debt issue produces the total annualized cost of debt. Dividing the total annualized cost of debt by the total principal amount of debt outstanding produces the weighted average cost for all debt issues. The result is the Company's cost of long-term debt of 5.28 percent.

Q. Regarding the $675 million of new long-term debt issuances mentioned earlier, how did you determine the interest rate for the new long-term debt?

A. The Company currently plans to issue new long-term debt during March 2014 and March 2015. I projected that these issuances would be completed at the Company's estimated recent credit spreads for 30-year debt issuances over the projected 30-year Treasury rates at March 2014 and March 2015. Further, I have added expected issuance costs to calculate the all-in rate for each series of new long-term debt.

Q. What is the resulting cost for this new long-term debt?

A. The Company's current estimated credit spread for 30-year debt is 0.95 percent. The recent forward long-term Treasury rates for March 2014 and March 2015 are 3.89 percent and 4.10 percent, respectively. Issuance costs for this maturity and type of debt add approximately seven basis points (0.07 percent) to the all-in cost. Therefore, the projected costs of the new long-term debt are:

	March 2014 Issuance	March 2015 Issuance
Forward Treasury Rate	3.891 %	4.101 %
Credit Spread	0.950 %	0.950 %
Redemption Expense	0.033 %	n/a
Issuance Costs	0.065 %	0.068 %
All-in Cost	4.939 %	5.119 %

Q. A portion of the securities in the Company's debt portfolio bears variable rates. What is the basis for the projected interest rates used by the Company?

A. The Company's variable rate long-term debt in this case is in the form of tax-exempt debt. Exhibit RMP___(BNW-13) shows that, on average, these securities had been trading at approximately 90 percent of the 30-day London Inter Bank Offer Rate ("LIBOR") for the period January 2000 through October 2013. Therefore, the Company has applied a factor of 90 percent to the forward 30-day LIBOR rates at each future quarter-end spanning the test period and then added the respective credit enhancement and remarketing fees for each floating rate tax-exempt bond. Credit enhancement and remarketing fees are included in the interest component because these are costs which contribute directly to the interest rate on the securities and are charged to interest expense. This method is consistent with the Company's past practices when determining the cost of debt in previous Utah general rate cases and in the Company's other jurisdictions

Q. What is the Company's embedded cost of preferred stock?

A. Exhibit RMP___(BNW-14) shows the embedded cost of preferred stock for the period ending June 30, 2015, to be 6.75 percent.

Q. How did you calculate the embedded cost of preferred stock?

A. The embedded cost of preferred stock was calculated by first determining the cost of money for each issue. I begin by dividing the annual dividend per share by the per share net proceeds for each series of preferred stock. The resulting cost rate associated with each series was then multiplied by the total par or stated value outstanding for each issue to yield the annualized cost for each issue. The sum of annualized costs for each issue produces the total annual cost for the entire preferred stock portfolio. I then divided the total annual cost by the total amount of preferred stock outstanding to produce the weighted average cost for all issues. The result is the Company's embedded cost of preferred stock.

Q. Does this conclude your direct testimony?

A. Yes.

Rocky Mountain Power
Exhibit RMP___(BNW-1)
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Bruce N. Williams

October 23, 2012 S&P Ratings Direct

January 2014

STANDARD & POOR'S RATINGS SERVICES

RatingsDirect®

Summary:
PacifiCorp

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Summary:
PacifiCorp

Credit Rating:	A-/Stable/A-2

Rationale

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

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

Since MEHC's acquisition in 2006, PacifiCorp has made modest strides in improving key business and regulatory aspects. Despite the sluggish economic recovery in the company's Pacific Northwest territory, its western states, especially Utah, continue to exhibit some growth. PacifiCorp has been able to eke out rate increases that are in line with our expectations, and the utility was granted a fuel and purchased power adjuster in Utah last year. Fuel adjustment mechanisms exist for all states but Washington. A key ongoing challenge for PacifiCorp is whether it will be able to achieve rate relief at levels necessary to sustain the company's capital investment program. The program has been at high levels and will remain so in the next few years, despite the sluggish economic recovery. MEHC has been consistent in its investment strategy for PacifiCorp, with ongoing capital spending that will continue to result in the need for regular revenue increases, requiring prudent regulatory risk management.

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

Liquidity

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

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

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

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

Recovery analysis

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

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

Outlook

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

Related Criteria And Research

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

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April 26, 2012 S&P Ratings Direct

January 2014

STANDARD & POOR'S

Global Credit Portal®
RatingsDirect®

April 26, 2012

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Summary:
PacifiCorp

Credit Rating: A-/Stable/A-2

Rationale

Standard & Poor's Ratings Services' 'A-' corporate credit rating on PacifiCorp reflects an "excellent" business risk profile and a "significant" financial risk profile under our criteria. PacifiCorp's excellent business profile benefits from the geographical, market, and regulatory diversity provided by its six-state service territory. The company's significant financial profile is supported by modest use of leverage to finance a large capital program and parent MidAmerican Energy Holdings Co.'s (MEHC; BBB+/Stable) willingness to deploy equity into PacifiCorp as needed to support the company's capital structure as it expands its rate base.

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

PacifiCorp provides power to retail customers under the name Rocky Mountain Power in Utah, Wyoming, and Idaho, and as Pacific Power in Oregon, Washington, and California. Utah and Oregon are the most important markets for the company, providing around 43% and 24% of annual retail sales, respectively, as of year-end 2011.

Since being acquired in 2006 by MEHC, the electric utility has made modest strides in improving key business and regulatory aspects of the utility that serves more than 1.7 million retail electric customers. Despite sluggish economic recovery in the company's Pacific Northwest territory, its western states, especially Utah, continue to exhibit some growth. PacifiCorp has been able to eke out rate increases that are in line with our expectations, and the utility was granted a fuel and purchased power adjuster in Utah last year. About 90% of PacifiCorp's retail electric sales are now covered by some type of fuel adjusters. (None exist in Washington State.)

A key ongoing challenge for PacifiCorp is whether it will be able to achieve rate relief at levels necessary to sustain the company's capital investment program. The program has been at high levels and will remain so in the next few years, despite the sluggish economic recovery. MEHC has been consistent in its investment strategy for the company, seeking to deploy capital in the electric utility in exchange for an opportunity to earn its authorized return on equity (ROE), which varies by state but is in the area of 10%.

We expect PacifiCorp to spend $1.5 billion this year, and it is budgeting $1.6 billion for 2013 and $1.7 billion in 2014, according to its 10-K filing. This level of spending will continue to require regular retail electric rate increases in all of PacifiCorp's markets. This raises the issue of whether rate case fatigue will set in, creating regulator or ratepayer resistance to further increases. For 2011, retail electric sales were up 2.4%, reflecting increased customer usage from better economic conditions in the company's eastern service territory, which includes Utah, and unusual weather impacts in its western service territory.

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

Liquidity

On a stand-alone basis (i.e., unenhanced by the existing $2 billion contingent equity agreement available to MEHC to support any of its regulated subsidiaries, including PacifiCorp) we view PacifiCorp's liquidity as adequate under our corporate liquidity methodology. This methodology categorizes liquidity in five standard descriptors (exceptional, strong, adequate, less than adequate, and weak). Projected sources of liquidity, which consist of operating cash flow and available bank lines, exceed projected uses, including capital expenditures, debt maturities, and common dividends, by more than 1.2x. Under our criteria, we exclude as sources of liquidity any facilities expiring within one year of the liquidity assessment date.

The utility maintains unsecured credit facilities that totaled $1.355 billion as of Dec. 31, 2011. Of this total, $688 million was drawn upon and $304 million of liquidity is reserved for letters of credit to support tax-exempt bond obligations, reducing available borrowings to $363 million. There are no rating triggers on the credit lines. One facility, for $635 million, expires in October 2012. The other credit facility is sized at $720 million and will decline to $630 million in July 2012 and expire in July 2013. Regulatory restrictions limit PacifiCorp's short-term debt to $1.5 billion.

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

Recovery analysis

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

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

Outlook

The stable rating outlook on PacifiCorp reflects our base-case assumption of adjusted FFO to total debt in the 20% area, FFO interest coverage of 4.6x, and debt to total capitalization of around 51%. Performance below this level could result in a rating downgrade if credit metrics fall below 18% or if adjusted debt to total capitalization exceeds 52% on a sustained basis. Because we view our forecast expectations as just sufficient to support the rating on the utility, we do not expect a ratings upgrade in the near term, which would require FFO to total debt of 22% or higher and leverage under 50%. The company is unlikely to achieve these metrics given its current authorized capital structure and a heavy capital program.

Related Criteria And Research

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

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November 16, 2011 Fitch Credit Rating

January 2014

FitchRatings

Corporates

Utilities, Power, and Gas / U.S.

PacifiCorp

Full Rating Report

Ratings

Security Class	Current Rating
Long-Term IDR	BBB
Short-Term IDR	F2
Senior Secured	A–
Senior Unsecured	BBB+
Preferred Stock	BBB–
Commercial Paper	F2

IDR – Issuer default rating.

Rating Outlook

Stable

Financial Data

PacifiCorp

($ Mil.)	LTM 9/30/11	2010
Revenues	4,517	4,432
Gross Margins	2,930	2,814
Cash from Operations	1,818	1,410
Operating EBITDA	1,685	1,597
Total Debt	6,748	6,458
Total Capitalization	13,912	13,749
ROE (%)	7.68	8.16
Capex/Depreciation (%)	236.5	286.5

Related Research

Fitch Affirms MEHC and Subsidiary Ratings; Outlook Stable, Sept. 29, 2011

MidAmerican Energy Company and MidAmerican Funding LLC, Jan. 6, 2011

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Key Rating Drivers

Ratings Affirmed: On Sept. 29, 2011, Fitch Ratings affirmed PacifiCorp's (PPW) ratings with a Stable Rating Outlook. PPW's ratings and outlook reflect the electric utility's solid credit-protection measures, a diversified service territory, a generally balanced regulatory environment, and relatively predictable operating earnings and cash flow characteristics.

Affiliation with Berkshire: PPW's ratings and outlook also reflect the benefits of affiliation with ultimate corporate parent, Berkshire Hathaway (BRK, issuer default rating [IDR] 'AA–'/Outlook Stable).

Ring-Fence Provisions: Structural protections insulate PPW in the event of financial stress at intermediate holding company MidAmerican Energy Holdings Co. (MEHC, IDR 'BBB+'/Outlook Stable) without impeding the parent's ability to infuse capital into PPW.

Regulation Key: Timely recovery of large capital investment program in rates is crucial to PPW's credit quality in Fitch's view. The ratings assume recovery of capital and operating costs in rates will support credit metrics consistent with the company's 'BBB' IDR and Stable Outlook.

Credit Metrics Solid: Fitch estimates that PPW's FFO coverage and leverage ratios will remain consistent with the ratings category, with FFO to interest of 4.2x–4.8x in 2011–2015, and FFO to debt of 19.0%–22.4%.

Improved Risk Profile: Since being acquired by MidAmerican Energy Holdings Company (MEHC) in 2006, the utility's business risk has been improved by the adoption of rate mechanisms designed to reduce regulatory lag and facilitate timely recovery of fuel and purchase power costs.

What Could Trigger a Rating Action

Improving Credit Metrics: A meaningful decrease in leverage relative to earnings and cash flows could lead to future positive rating actions.

Deterioration in Regulation: A significant deterioration in the utility's relatively balanced regulatory environment could lead to future credit downgrades.

Capex: Meaningful cost overruns to PPW's capex program or disallowance of sunk costs could lead to adverse credit rating actions.

Ownership Change: Loss of the benefits of BRK ownership would have negative rating implications.

Liquidity and Debt Structure

PPW has total revolving debt of $1.4 billion in place, composed of a $635 million facility that matures in October 2012, and a $720 million line that matures in July 2013. The revolvers support PPW's CP program and certain variable tax-exempt debt. PPW's total available liquidity was $1.2 billion at the end of third-quarter 2011, including $151 million of cash and equivalents, availability under its credit facilities and net of letters of credit issued. Long-term debt outstanding was $6.7 billion as of Sept. 30, 2011, representing 48.5% of PPW's total capitalization.

Debt Maturities

PPW's debt maturities are manageable, with approximately $1.3 billion of its total $6.7 billion of long-term debt and capital lease obligations as of Sept. 30, 2011, maturing during 2011–2015, as indicated in the table below.

Maturities Summary — 2011–2015

($ Mil.)

Year	Amount
2011	595A
2012	24E
2013	273E
2014	261E
2015	129E

A – Actual. E – Estimate.
Source: Company filings.

Capex

Total capex at PPW was $1.6 billion in 2010, and is expected to approximate $5.1 billion during 2011–2013, or $1.7 billion per annum on average.

PPW's capex program is focused on transmission, environmental remediation, natural gas-generation projects and system overhauls to maintain reliability and serve new load.

Among PPW's largest projects is the Energy Gateway (EG) transmission project, which is expected to cost more than $6 billion. EG would add approximately 2,000 miles of high-voltage transmission lines primarily in Utah, Wyoming, Idaho, Oregon, and the desert southwest during 2011–2019. The first phase of the project, Populus (southern Idaho) to Terminal (near Salt Lake City, UT), is a 135-mile double-circuit, 345-kilovolt line that was completed and placed in service in November 2010.

Estimated and Historic PPW Capex — 2008–2013

($ Bil.)

Year	Amount
2008A	2.1
2009A	2.3
2010A	1.6
2011E	1.6
2012E	1.8
2013E	1.7

Source: Company filings.

Risk of cost overrun and significant delay to PPW's capex program is a potential source of concern for investors. Management has compiled a solid track record in executing its investment plans and recovering its capex investment.

Regulatory Update

Management has focused on improving its relationship with regulators across its six-state service territory since acquiring PPW in 2006. Management has compiled a solid track record of balanced outcomes in past rate case filings in Fitch's opinion. PPW files frequently to

Related Research

Corporate Rating Methodology, Aug. 12, 2011

Recovery Ratings and Notching Criteria for Utilities, Aug. 12, 2011 recover costs associated with its large capex program to minimize the magnitude of rate hikes. At $0.07 per kWh, PPW's average retail rate is well below the industry average. PPW has power cost adjustment mechanisms in place in five of six states in its service territory.

In recent rate case activity, the Utah Public Service Commission approved a settlement in PPW's 2011 general rate case (GRC) filing that included a $117 million (7%) rate increase, representing 50% of the original filing amount. Regulators in Wyoming approved a settlement granting a $62 million (11%) rate increase, approximately 63% of its original $98 million rate increase request.

Recent Rate Case Activity

($ Mil.)

State	Date Filed	Final Order Issued	Amount Requested	Amount Authorized	% Requested	Authorized % Increase
Wyoming	November 2010	June 2011	98	62	63	11
Utah	January 2011	August 2011	232	117	50	7
Idaho	May 2010	February 2011	28	14	50	7
Washington	May 2010	March 2011	57	33	58	12
Total	N.A.	N.A.	415	226	54	N.A.

N.A. – Not applicable.
Source: Company filings, Fitch Ratings.

The Idaho Public Utilities Commission (IPUC) approved a $14 million rate hike in a GRC concluded earlier this year. The IPUC concluded in that rate case that 27% of the company's Populus-to-Terminal segment of the EG project was not used and useful, and is to be carried as plant held for future use. PPW has appealed this aspect of the IPUC order to the Idaho Supreme Court.

Pending GRCs

($ Mil.)

Date Filed	State	Amount	% Increase
July 2011	Washington	13	4
May 2011	Idaho	33	15

GRC – General rate case.
Source: Company filings.

On May 27, 2011, PPW filed for a $32.7 million (15%) base rate increase. In September 2011, PPW reached a two-year settlement agreement with the IPUC staff and other intervenors in the proceeding. The settlement proposes $17 million average annual rate increases each in 2012 and 2013. If approved by the IPUC, the rate increases will be effective Jan. 1, 2012, and Jan. 1, 2013, respectively.

The agreement proposes that the IPUC make a specific finding that the portion of the Populus-to-Terminal transmission line determined by the commission to be plant held for future use is now used and useful. A final order in the proceeding is expected before year-end.

Fitch Ratings has summarized final outcomes in recently concluded rate proceedings and pending rate case activity, as seen in the tables above.

Corporate Structure

PPW's affiliation with intermediate holding company, MEHC, and its ultimate parent, BRK, provides two unique, specific financial advantages that confer, in Fitch's view, a measure of incremental financial flexibility to PPW.

Unlike most utility holding companies, MEHC benefits significantly from capital retained as the direct result of BRK's financial strength, which obviates the need for MEHC to upstream dividends. This in turn lowers the dividend requirements from its operating subsidiaries, including PPW.

MEHC and BRK have entered into an equity commitment agreement (ECA). The ECA initially provided $3.5 billion of equity capital through February 2011, and was extended through February 2014 and reduced to $2 billion.

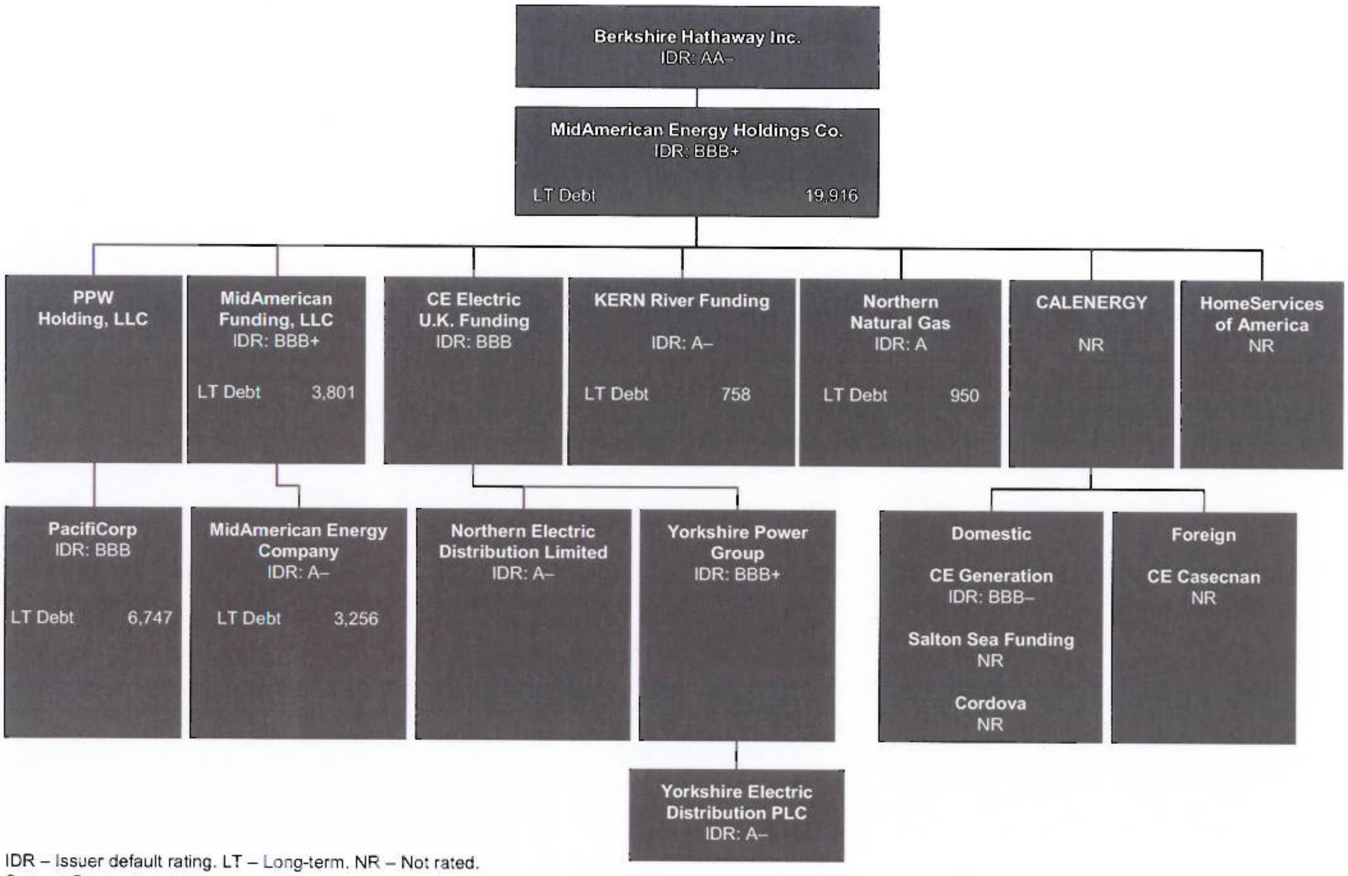
The ECA may be used at the request of MEHC for the purpose of paying MEHC debt obligations when due, and funding the general corporate purposes and capital requirements of MEHC's regulated subsidiaries.

PPW's risk profile benefits from the strong financial position of BRK, its ultimate corporate parent, and BRK's strategy to invest in utility assets for the long term.

Structural Protections

MEHC has implemented policies and procedures, including the creation of a special-purpose entity, PPW Holdings (PPWH), which is designed to insulate PPW from MEHC and affiliates. PPWH has received a nonconsolidation opinion from independent counsel. Additional ring-fence provisions include an independent director, nonrecourse structure, dividend restrictions, a prohibition against the use of PPWH's credit or pledge of its assets for the benefit of any other company, and maintenance of separate books, financial records, and employees.

Organizational and Debt Structure
($ Mil., As of Sept. 30, 2011)



IDR – Issuer default rating. LT – Long-term. NR – Not rated.
Source: Company reports.

Financial Summary — PacifiCorp

($ Mil., Fiscal Years Ended Dec. 31)	LTM 9/30/11	2010	2009	2008	2007	2006
Fundamental Ratios (x)						
FFO/Interest Expense	5.4	5.3	5.5	4.3	4.0	3.9
CFO/Interest Expense	5.6	4.6	4.8	3.9	3.6	3.0
FFO/Debt (%)	25.5	26.0	27.6	20.0	18.1	14.3
Operating EBIT/Interest Expense	2.8	2.7	2.7	2.8	2.8	1.9
Operating EBITDA/Interest Expense	4.3	4.1	4.1	4.2	4.4	3.5
Operating EBITDAR/(Interest Expense + Rent)	4.3	4.1	4.1	4.2	4.4	3.5
Debt/Operating EBITDA	4.0	4.0	4.0	3.9	3.7	5.9
Common Dividend Payout (%)	100.2	—	—	—	—	—
Internal Cash/Capital Expenditures (%)	88.8	87.6	64.3	55.3	54.1	40.9
Capital Expenditures/Depreciation (%)	236.5	286.5	424.0	365.1	305.6	296.1
Profitability						
Adjusted Revenues	4,517	4,432	4,457	4,498	4,258	2,924
Net Revenues	2,930	2,814	2,780	2,541	2,490	1,627
Operating and Maintenance Expense	1,094	1,081	1,035	992	1,004	780
Operating EBITDA	1,685	1,597	1,609	1,437	1,385	770
Depreciation and Amortization Expense	603	561	549	490	497	355
Operating EBIT	1,082	1,036	1,060	947	888	415
Gross Interest Expense	393	387	394	343	314	220
Net Income for Common	549	566	542	458	439	159
Operating Maintenance Expense % of Net Revenues	37.3	38.4	37.2	39.0	40.3	47.9
Operating EBIT % of Net Revenues	36.9	36.8	38.1	37.3	35.7	25.5
Cash Flow						
Cash Flow from Operations	1,818	1,410	1,500	992	824	432
Change in Working Capital	94	(267)	(274)	(142)	(115)	(213)
Funds from Operations	1,724	1,677	1,774	1,134	939	645
Dividends	(552)	(2)	(2)	(2)	(2)	(2)
Capital Expenditures	(1,426)	(1,607)	(2,328)	(1,789)	(1,519)	(1,051)
FCF	(160)	(199)	(830)	(799)	(697)	(621)
Net Other Investment Cash Flow	5	(6)	5	6	8	9
Net Change in Debt	276	20	763	469	669	350
Net Equity Proceeds	—	100	125	450	162	207
Capital Structure						
Short-Term Debt	—	36	—	85	—	397
Long-Term Debt	6,748	6,422	6,437	5,589	5,188	4,114
Total Debt	6,748	6,458	6,437	5,674	5,188	4,511
Total Hybrid Equity and Minority Interest	21	21	105	21	21	59
Common Equity	7,143	7,270	6,607	5,946	5,039	4,386
Total Capital	13,912	13,749	13,149	11,641	10,248	8,956
Total Debt/Total Capital (%)	48.5	47.0	49.0	48.7	50.6	50.4
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.2	0.2	0.8	0.2	0.2	0.7
Common Equity/Total Capital (%)	51.3	52.9	50.2	51.1	49.2	49.0

Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense.
Source: Company reports, Fitch Ratings.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Rocky Mountain Power
Exhibit RMP___(BNW-4)
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Bruce N. Williams

May 8, 2013 Moody's Credit Rating

January 2014

MOODY'S
INVESTORS SERVICE

Credit Opinion: PacifiCorp

Global Credit Research - 08 May 2013

Portland, Oregon, United States

Ratings

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

Contacts

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Key Indicators

[1]**PacifiCorp**

	2012	2011	2010	2009
(CFO Pre-W/C + Interest) / Interest Expense	**4.9x**	**4.8x**	**5.3x**	**5.2x**
(CFO Pre-W/C) / Debt	**21.1%**	**21.0%**	**25.7%**	**26.0%**
(CFO Pre-W/C - Dividends) / Debt	**18.4%**	**13.5%**	**25.7%**	**26.0%**
Debt / Book Capitalization	**38.3%**	**39.8%**	**38.8%**	**42.4%**

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

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

Opinion

Rating Drivers

Reasonably supportive regulatory environment

Diversification to mitigate exposures to environmental spending, economic cycles

Solid credit metrics

Benefits from Berkshire Hathaway affiliation

Corporate Profile

PacifiCorp (Baa1 senior unsecured, stable) is a vertically integrated electric utility company headquartered in Portland, Oregon serving 1.8 million retail electric customers in six states, including Utah (44% of PacifiCorp's 2012 retail electricity volumes), Oregon (23%), Wyoming (17%), Washington (7%), Idaho (7%), and California (2%). PacifiCorp also has ancillary operations in wholesale power marketing (18% of 2012 electricity volumes, as a result of excess electricity generation or other system balancing activities) and coal mining services, both which support its core utility business.

PacifiCorp is the largest subsidiary of MidAmerican Energy Holdings Company (MEHC: Baa1 senior unsecured, stable), accounting for roughly 40% of MidAmerican's operating income in 2012. MEHC, in turn, is a consolidated subsidiary of Berkshire Hathaway Inc. (BRK: Aa2 Issuer Rating, stable).

SUMMARY RATING RATIONALE

PacifiCorp's ratings are supported by the stability of the utility's regulated cash flows, the geographically diverse and relatively constructive regulatory environments in which it operates, the diversification of its generation portfolio, and solid credit metrics. The rating also considers PacifiCorp's position as a subsidiary of MEHC, a holding company whose subsidiaries are primarily engaged in regulated activities, and the benefits from its affiliation with BRK.

DETAILED RATING CONSIDERATIONS

Reasonably supportive regulatory environment

PacifiCorp's rating recognizes the rate-regulated nature of its electric utility operations which generate stable and predictable cash flows. PacifiCorp operates in regulatory jurisdictions that Moody's considers as average in terms of framework, consistency and predictability of decisions along with an expectation of timely recovery of costs and investments. This "average" assessment is in line with Moody's views of most US state jurisdictions compared to regulatory environments elsewhere in the world.

Regulatory lag is a challenge for PacifiCorp, which has long maintained large capital programs to meet load growth as well as regulatory requirements for emissions control, renewable standards, and reliability. Although PacifiCorp has been filing rate cases every year or so in its largest jurisdictions and getting reasonable outcomes, the large capital investments cause its actual returns on equity to be in the 7%- 8% range compared to the roughly 10% that it is allowed.

Expecting weak load growth over the next decade, the company has cut future capital expenditures to roughly $1.1 billion a year, down considerably from the $1.5 billion it has spent in recent years. Almost half of the reduction is in generation. Less capital spending will reduce the need for rate relief and, consequently, regulatory lag.

The most significant of the 2012 rate orders was in Utah, by far its biggest jurisdiction, where $154 million in rate increases (8.5%) will be staged in over 2 years. Sizable rate cases have been filed in Oregon and Washington in Q1 2013, requesting increases of $56 million (5%) and $43 million (14%), respectively. These cases should be decided by year-end 2013.

Future rate filings will arise from its $6 billion Energy Gateway transmission program, with multiple segments currently under construction, and its Lake Side 2 gas plant, which is expected to come online in 2014. The ability to use a forward test year in its rate requests helps to limit regulatory lag in Utah, Oregon, Wyoming, and California. The company has been successful in getting approvals for its major projects; however, it is exposed to some disallowances in most of its jurisdictions, where pre-approvals on projects or cash returns on construction work in progress are not granted.

The company has obtained energy cost adjustment mechanisms in all its jurisdictions now except Washington. Such mechanisms to recover fuel and purchased power costs -- a large, volatile expense --are more established in other parts of the country. While this development is supportive of credit quality, there remains some lag in recovering portions of energy costs. For example, in Utah, Wyoming, and Idaho, the majority of the difference between the actual power costs and costs established in its base rates is deferred. This difference is then recovered or refunded after an annual filing.

Diversification to mitigate exposures to environmental spending, economic cycles

PacifiCorp benefits from a well diversified generation portfolio. Its 11,224 MW of net generating capacity is comprised primarily of its low cost base-load coal plants (55% of the company's generation), along with 25% from its gas assets and 10% from hydro.

With coal accounting for a slight majority of its generation capacity, PacifiCorp is subject to numerous emissions standards, but the company is well positioned to comply with the vast majority of its plants already equipped with sulfur dioxide and nitrogen oxide controls.

Reflecting a common strategic imperative among MEHC affiliates, PacifiCorp has been investing heavily to increase its non-carbon generation resources, and in so doing, has become the second-largest utility owner of wind generation facilities in the US. Owning this much wind capacity not only mitigates exposure to stricter environmental rules for coal plants, but also helps in meeting ambitious renewable portfolio standards in Oregon, Washington, and California.

The market and customer diversity of PacifiCorp's six-state service territory is favorable, because it mitigates the economic and regulatory impacts in any one jurisdiction. This benefit is demonstrated by the recent economic impact on retail sales. Load has been declining for five straight years in the Pacific Northwest from still weak industrial demand, while the Rocky Mountain states have enjoyed some commercial and industrial growth from oil and gas activity, which has been offset by self-generation among its industrial customers.

Solid credit metrics

PacifiCorp's overall key credit metrics in 2012 mapped to the low A range in the Regulated Utilities Methodology. The ratio of cash from operations before changes in working capital (CFO pre-W/C) to Debt, calculated in accordance with Moody's standard adjustments, was unchanged from 2011 at 21%, compared to 26% in both 2010 and 2009. Its CFO pre-W/C interest coverage was 4.9x in 2012 versus 4.8x in 2011and the 5x range in 2010 and 2009.

PacifiCorp's credit metrics - like the rest of the utilities industry - have been buoyed by the effects of bonus depreciation, a temporary tax benefit which will extend through 2013. Normalized to exclude bonus depreciation, CFO pre-W/C to Debt would have been in the upper-teens and CFO pre-W/C interest expense coverage would have been in the mid to lower 4 times range during 2009-2011. After bonus depreciation ends in 2013, PacifiCorp's credit metrics will return to more normal, sustainable levels.

Benefits from Berkshire Hathaway affiliation

PacifiCorp paid dividends of $200 million to MEHC in 2012, and $550 million in 2011, which was its first since being acquired by MEHC in 2006. MEHC had made equity contributions in each of the previous five years totaling $1.1 billion to help PacifiCorp finance its capital expenditures during this period. The dividends were intended to manage PacifiCorp's equity ratio (as measured by unadjusted equity to equity plus debt) around 50% after it had accreted to 53% as of year-end 2010. PacifiCorp is not held to a regular dividend, but will likely make additional dividends periodically, depending on its capital requirements and equity ratio.

From a credit perspective, the company's ability to retain its earnings as an entity that is privately held, particularly by a deep-pocketed sponsor like BRK, is an advantage over most other investor owned utilities that are typically held to a regular dividend to their shareholders. An additional tangible benefit from PacifiCorp's BRK affiliation is an equity commitment agreement, expiring on February 28, 2014, between MEHC and BRK, under which BRK has committed to provide up to $2 billion through February 2014. Equity from this agreement may be requested to fund MEHC's debt obligations or to provide capital to MEHC's regulated subsidiaries, including PacifiCorp. This agreement thus provides PacifiCorp with an additional source of alternate liquidity. We do not expect the commitment to be renewed, thus somewhat weakening the liquidity profile in 2014 and beyond, but we see no reason why BRK would not be supportive in the event of extraordinary and unanticipated difficulty at MEHC.

Liquidity Profile

PacifiCorp has good near-term liquidity, with $133 million in cash and two $600 million revolvers expiring in 2017 and 2018, of which about $888 million was available as of March 31, 2013. In 2012, the company generated cash flow from operations before working capital changes of $1.5 billion which will more than cover the $1.1 billion a year it plans on capital expenditures. Excluding minor amounts of revenue bonds, significant upcoming debt maturities include $200 million due on September 15, 2013 and $200 million due on August 15, 2014. The roughly $400 million reduction in annual capital expenditures will reduce the need for long and short term borrowings.

PacifiCorp uses its credit facilities to backstop its commercial paper program and to support its variable rate tax-exempt bonds. These credit agreements do not a require MAC representation for borrowings, which Moody's views positively. The sole financial covenant is a limitation on debt to 65% of total capitalization. As of March 31, 2013, PacifiCorp had ample headroom under that covenant with that ratio at 47% as defined in the agreement.

Rating Outlook

The stable outlook incorporates Moody's expectation that PacifiCorp will continue to receive reasonable regulatory treatment for the recovery of its capital expenditures, and that the funding requirements will be financed in a manner consistent with management's commitment to maintain a healthy financial profile. After the bonus depreciation ends in 2013, Moody's anticipates that PacifiCorp's credit metrics will return to the levels more typical before 2009, with CFO pre-W/C to Debt just below 20%.

What Could Change the Rating - Up

While the size of the company's capital expenditures limits the prospects for a rating upgrade in the near-term, the rating could be upgraded if reasonable regulatory support and a conservatively financed capital expenditure program results in a sustained improvement in credit metrics. This would include, for example, PacifiCorp's ratios of CFO pre-W/C to Debt sustained in the mid 20% range.

What Could Change the Rating - Down

The ratings could be adjusted downward if PacifiCorp's planned capital expenditures are funded in a manner inconsistent with its current financial profile, or if there were to be adverse regulatory rulings on current and future rate cases such that we would anticipate a sustained deterioration in financial metrics as demonstrated, for example, by a ratio of CFO pre-W/C to Debt falling to the mid teens.

Rating Factors

PacifiCorp

Regulated Electric and Gas Utilities Industry [1][2]	**12/31/2012**		**Moody's 12-18 month Forward View* As of May 2013**	
Factor 1: Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (5%)		A		A
b) Generation and Fuel Diversity (5%)		Baa		Baa
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		A		A
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	5.0x	A	4.5x-4.9x	A
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	22.5%	A	18%-	Baa

			20%	
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	19.0%	A	16%-18%	A
e) Debt/Capitalization (3 Year Avg) (7.5%)	39.0%	A	36%-39%	A
Rating:				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2012(LTM); Source: Moody's Financial Metrics

MOODY'S
INVESTORS SERVICE

Rocky Mountain Power
Exhibit RMP___(BNW-5)
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Bruce N. Williams

September 16, 2013 Fitch Press Release

January 2014

FitchRatings

Fitch Affirms MEHC's & Subsidiaries Ratings; Outlook Stable; NNG Outlook Revised to Stable

Ratings Endorsement Policy

16 Sep 2013 2:02 PM (EDT)

Fitch Ratings-New York-16 September 2013: Fitch Ratings has affirmed MidAmerican Energy Holdings Co.'s (MEHC) Long-term Issuer Default Rating (IDR) at 'BBB+' and its Short-term rating at 'F2'. MEHC's individual security ratings have also been affirmed. Concurrently Fitch has affirmed the IDRs and individual security ratings for MidAmerican Funding LLC (MF), MidAmerican Energy Co. (MEC), PacifiCorp (PPW), and Kern River Funding Corp. (KRF).

Fitch has withdrawn the MEC Preferred Stock rating as there is no amount outstanding. The Rating Outlooks remain Stable.

Fitch has also affirmed Northern Natural Gas Co.'s (NNG) Long-term IDR and individual security ratings, and revised the Outlook to Stable from Negative.

A complete list of all rating actions follows at the end of this release.

KEY RATING DRIVERS

--Berkshire Hathaway, Inc. ownership strengthens group funding capabilities and capital retention.
--Ring-fencing by special purpose entities preserves operating company credit quality.
--Diversified low-risk regulated businesses support stable cash flows.
--Consolidated leverage remains high.
--Sufficient liquidity relative to funding needs.

MEHC Affirmation: MEHC's rating and Stable Outlook are supported by a large high-quality asset base, including two integrated regulated utilities, and two U.S. interstate gas pipeline systems. The ratings also consider Berkshire Hathaway, Inc.'s (BRK; IDR 'AA-'; Stable Outlook by Fitch) 90% ownership of the company which Fitch views as being beneficial to MEHC's credit quality. The company retains capital as a direct result of BRK's financial strength, which obviates the need to upstream dividends and affords MEHC an advantage in funding organic growth and acquisitions such as PPW in 2006 and the pending acquisition of NV Energy, Inc. (IDR 'BB+'; Credit Watch Positive).

Consolidated Financial Metrics: Relative to historical performance financial metrics are improving. EBITDA-to-interest, as calculated by Fitch, was 3.5x for the latest twelve month (LTM) period ended June 30, 2013, and forecast by Fitch to reach 4x over the five-year forecast period. Cash flows are likely to weaken as the positive benefits from bonus depreciation, production tax credits (PTCs)and investment tax credits (ITCs)are lower in the forecast period. Funds from Operations (FFO) interest coverage for the LTM period ended June 30, 2013 was 4.6x and is forecast by Fitch to be at, or below 4x toward the end of the five-year forecast period.

Fitch's forecast assumes the pending acquisition by MEHC of NV Energy is complete in 2014 at which time the proportion of consolidated earnings contributed by regulated utility business will be approximately 70%; and, higher than 90% including the pipeline businesses.

High Leverage: Debt-to-EBITDA for the LTM period ended June 30, 2013 was 5.3x. The anticipated impact of the $5.6 billion acquisition of NV Energy could keep leverage metrics elevated through 2015. Fitch considers any acquisition financing provided by BRK to be 'equity like'. Absent the NV Energy acquisition, Fitch forecast debt-to-EBITDA to range near 4.4x toward the end of the five-year forecast.

Sufficient Liquidity: MEHC's consolidated liquidity position at June 30, 2013 was $5.16 billion, including $892 million in available cash. This figure includes a $2,000 million equity commitment agreement (ECA) provided by BRK to MEHC through February 2014. MEHC stand-alone bank credit is $600 million, and the credit facility matures in 2017. Bank credit supports the company's commercial paper (CP) program. Single bank concentration is not a concern as the largest single bank concentration is 8%.

Fitch considers MEHC and subsidiaries' access to the bank credit and debt capital markets unrestricted. MF/MEC stand-alone credit includes a $600 million bank credit facility which matures in 2018. PPW stand-alone credit is $1.2 billion with facility maturities in 2017 and 2018.

MF/MEC Ratings Affirmed: The ratings affirmations are based on the credit quality of MEC, an integrated regulated electric utility. MF is an intermediate holding company owned by MEHC, and indirect holding company of the utility. MEC's rating and Stable Outlook reflects the company's relative low business risk profile, solid financial metrics, and a constructive regulatory environment in Iowa.

Fitch expects financial metrics to remain consistent relative to guidelines for the risk profile and ratings, with MF EBITDA-to-interest and FFO-to-debt to range between 4.5 - 5.2x and approximately 21%, respectively through 2017. The same metrics for MEC are forecast to range between 5.1x - 5.7x and lowers to 23%, respectively over the five-year forecast period. Fitch attributes current higher levels of FFO to bonus depreciation and PTCs for wind generation.

MEC has a new rate filing pending with the Iowa Utilities Board (IUB), with interim rates in effect in August 2013 and new rates effective in 2014. The utility has proposed an energy adjustment clause to capture changes in retail fuel costs, environmental consumables and allowances, and pretax changes in PTCs. The utility also included in its filing a transmission rider to recover Midcontinent Independent System Operator (MISO)-billed costs. Fitch's assumes a fair outcome.

PacifiCorp Ratings Affirmed: The utility's rating and Stable Outlook reflects PPW's low business risk profile, competitive resource base, solid financial metrics, and a fairly balanced and diversified regulatory environment. PPW operates in six state jurisdictions, Utah, Wyoming, Idaho, Oregon, Washington and California. Ratings stability is predicated on reasonable outcomes in pending and future rate proceedings to recover anticipated, significant capital investments.

A key rating concern is the execution of a large capital plan and timely recovery of related costs. Also a concern is the potential for more stringent environmental rules and regulations. Over the next five years capital spending will reach $6 billion, $2 billion less than Fitch's previous assessments, largely due to a scale back by management to reflect lower forecast load growth. The revised plan reflects delays starting certain generation and transmission projects and supports a stable credit profile. Higher spending levels could expose the utility to increased regulatory recovery which may weaken financial metrics over a capital intensive period.

Rate treatment is fair and well-diversified across multiple state jurisdictions. Exposure to commodity price risk is largely mitigated by power adjustment mechanisms in five of the six rate designs. Other rate features allow for the recovery or deferral for future recovery of investments in renewable generation, or other investments outside traditional rate filings. PPW has rate filings pending in Oregon and Washington. Fitch's rating assessment assumes fair outcomes in each.

NNG Outlook Revised to Stable: The Outlook revision reflects Fitch's assumption that the $100 million maturity due in 2015 will be paid-in full effectively reducing pro-forma leverage metrics. Fitch forecasts debt-to-EBITDA at or near 2.5x for a sustainable period starting in 2015. Fitch also considers re-contracting will be supportive of a Stable Outlook.

Absent re-payment in full of the maturity and/or a narrowing of basis differentials, which would have a negative impact on interruptible transportation prices, Fitch could expect to see leverage metrics at levels higher than 2.8x which could result in negative rating action.

The Stable Outlook for NNG reflects the pipeline's strong business profile as an essential supplier of natural gas to many Midwest utilities under long-term contracts, favorable operating characteristics, and low regulatory risk.

KRF Ratings Affirmed: KRF ratings reflect Fitch's assessment that the pipeline produces predictable cash flows, receives fair rate treatment by the FERC, and capital spending levels remain manageable. Fitch views debt amortization as a key driver of improving leverage metrics over the five-year forecast period. The pipeline serves the Salt Lake City, UT areas, Southern Nevada and Central California.

RATING SENSITIVITIES

Future developments that may, individually or collectively, lead to a positive rating action include:

--MEHC: High leverage at the consolidated level continues to limit positive rating action;

--MF: If MF were to redeem its parent level debt its long-term IDR would likely be raised to that of MEC;

--MEC: The already strong rating of the utility limits positive rating action at this time;

--PPW: If FFO-to-debt were to increase and be sustained at or near 20%;

--NNG and KRF: The already strong ratings limit positive rating action at this time.

Future developments that may, individually or collectively, lead to a negative rating action include:

--MEHC: A change in ownership would have negative implications on the company's credit ratings; and/or a material change in financial policies including dividends from MEHC to BRK would pressure financial metrics;

--MF and MEC: If FFO-to-debt were to decrease and be sustained below 20%.

--PPW: If FFO-to-debt were to decrease and be sustained below 16%;

--NNG: Higher pro-forma leverage that could result in weakened leverage metrics over a longer period than considered by Fitch in its rating forecast could result in negative rating action;

--KRF: Negative rating action is unlikely at this time.

Fitch has affirmed the following ratings with a Stable Outlook:

MidAmerican Energy Holdings Co. (MEHC)
--Long-term IDR at 'BBB+';
--Senior unsecured debt at 'BBB+';
--Preferred stock at 'BBB-';
--Short-term IDR at 'F2'.

MidAmerican Funding LLC (MF)
--Long-term IDR at 'BBB+';
--Senior secured debt at 'A-'.

MidAmerican Energy Company (MEC)
--Long-term IDR at 'A-';
--Senior secured debt at 'A+';
--Senior unsecured debt at 'A';
--Short-term IDR at 'F1';
--Commercial paper at 'F1'.

Fitch has withdrawn the Preferred Stock rating at 'BBB+'.

PacifiCorp (PPW)
--Long-term IDR at 'BBB';
--Senior secured debt at 'A-';
--Senior unsecured debt at 'BBB+';
--Preferred stock at 'BBB-';
--Short-term IDR at 'F2';
--Commercial paper at 'F2'.

Kern River Funding Corp. (KRF)
--Long-term IDR at 'A-';
--Senior unsecured debt at 'A-'.

Fitch has affirmed the following ratings and revised the Outlook to Stable from Negative:

Northern Natural Gas Co. (NNG)
--Long-term IDR at 'A';

--Senior unsecured debt at 'A'.

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Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
--'Corporate Rating Methodology' (Aug. 8, 2012);
--'Rating North American Utilities, Gas and Water Companies'
(May 16, 2011);
--'Recovery Ratings and Notching Criteria for Utilities' (Nov. 13, 2012);
--'Corporate Rating Methodology: Including Short-term Ratings and Parent and Subsidiary Linkage' (Aug. 5, 2013).

Applicable Criteria and Related Research:
Corporate Rating Methodology - Effective from 8 August 2012 - 5 August 2013
Rating North American Utilities, Power, Gas, and Water Companies
Recovery Ratings and Notching Criteria for Utilities
Corporate Rating Methodology: Including Short-Term Ratings and Parent and Subsidiary Linkage

Additional Disclosure
Solicitation Status

Rocky Mountain Power
Exhibit RMP___(BNW-6)
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Bruce N. Williams

January 6, 2011 Fitch Credit Rating

January 2014

FitchRatings

Corporates

Global Power
U.S. and Canada
Full Rating Report

PacifiCorp

A Subsidiary of MidAmerican Energy Holdings Co. (MEHC)

Ratings

Security Class	Current Rating
IDR	BBB
Senior Secured	A–
Senior Unsecured	BBB+
Preferred	BBB–
Short-Term IDR	F2
Commercial Paper	F2

Rating Outlook

Stable

Financial Data

PacifiCorp

($ Mil.)	9/30/10	12/31/09
Revenue	4,502	4,457
Gross Margin	2,843	2,780
CFFO	1,465	1,500
Operating EBITDA	1,635	1,609
Total Debt	6,459	6,426
Total Capitalization	13,643	13,148
ROE (%)	8.7	8.6
Capex/Depreciation (%)	326.5	424.0

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Related Research

Applicable Criteria
- *Corporate Rating Methodology, Aug. 16, 2010*
- *Utilities Sector Notching and Recovery Ratings, March 16, 2010*
- *U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines, Aug. 22, 2007*
- *Credit Rating Guidelines for Regulated Utility Companies, July 31, 2007*

Other Research
- *MidAmerican Energy Holdings Company (Subsidiary of Berkshire Hathaway, Inc.), Jan. 6, 2011*
- *Fitch Affirms MidAmerican Energy Holdings Co. & Subsidiaries, Oct. 1, 2010*

Rating Rationale

- PacifiCorp's (PPW) ratings, affirmed by Fitch on Oct. 1, 2010, and Stable Rating Outlook reflect the utility's solid financial position, competitive resource base, relatively balanced regulation in its six-state service territory, and continued support from its ultimate corporate parent, Berkshire Hathaway (BRK; issuer default rating [IDR] 'AA–'; Rating Outlook Stable).
- Timely recovery of planned capital investment in rates is crucial to PPW's credit quality, in Fitch's view. The ratings assume recovery of capital and operating costs in rates will support credit metrics consistent with the company's 'BBB' IDR and Stable Rating Outlook.
- Fitch estimates that PPW's funds-from-operations-to-interest and debt-to-FFO will range from 4.2x–4.4x and 4.9x–5.3x, respectively, in 2010–2014, consistent with Fitch's target median for the 'BBB' rating category.
- Since being acquired by MidAmerican Energy Holding Co. (MEHC) in 2006, regulatory risk at PPW has been meaningfully reduced through the adoption of tariff mechanisms designed to reduce regulatory lag, including fuel adjustment clauses, forward test years, and single-issue rate cases.
- PPW's planned capital investment program has moderated in response to the cyclical downturn that began in 2007, but remains relatively large, averaging $1.6 billion per annum through 2014. Unanticipated cost overruns or inability to recover investment in base rates are primary concerns for investors.
- PPW's ratings consider corporate structures that insulate the operating utility from its intermediate corporate parent, MEHC, without impeding the parent's ability to infuse capital into PPW.

Key Rating Drivers

- An unexpected sustained decrease in debt leverage resulting in stronger coverage ratios.
- Significant deterioration in the utility's regulatory compact across its six state service territory.
- Lower than expected recovery of capital and operating costs associated with PPW's capital expenditure program.
- Substantial cost overruns associated with PPW's capital expenditure program.
- Loss of support from MEHC/BRK.

Liquidity/Capital Structure

PPW had long-term debt outstanding of $6.4 billion at the end of the third quarter of 2010. Total PPW debt outstanding represented 47.3% of the company's $13.6 billion capital structure. PPW's debt-to-EBITDA ratio was 4.0x for the 12 months ended Sept. 30, 2010.

PPW has total revolving credit of $1.4 billion, comprised of a $635 million facility that is scheduled to mature October 2012, and a $760 million facility that reduces to $720 million in July 2011 and $630 million in July 2012 and matures July 2013. The revolvers support PPW's CP program and certain variable-rate tax-exempt bond obligations, and require that the utility's consolidated total debt to total capitalization ratio at no time exceeds 0.65:1.0.

Debt maturities are manageable, in Fitch's view, with approximately $1.1 billion of debt scheduled to mature through 2014 and $587 million of that amount scheduled to mature in 2011, as indicated in the table at right.

PacifiCorp Capital Structure

($ Mil., As of Sept. 30, 2010)

Short-Term Debt	34
Long-Term Debt	6,425
Total Debt	6,459
Total Hybrid Equity	31
Common Equity	7,153
Total Capital	13,643
Total Debt/Total Capital (%)	47.3
Total Hybrid Equity/Total Capital (%)	0.2
Common Equity/Total Capital (%)	52.4

Source: Fitch model.

PacifiCorp Long-Term Debt Maturities Schedule 2011–2014

($ Mil.)

2011	587
2012	17
2013	261
2014	253

Source: Company reports.

Large Capital Investment Program

For the nine-month period ended Sept. 30, 2010, PPW invested approximately $1.3 billion primarily in transmission, emissions control equipment, wind power, and infrastructure. Capital expenditures during the nine months ended Sept. 30, 2010 decreased $516 million compared to the same period in 2009, reflecting reduction and delay of certain projects due to slower demand driven by the economic downturn that began in 2007.

Total capital expenditures in 2010 are expected to be $1.7 billion. PPW's capital investment is expected to approximate $8 billion during 2010–2014, averaging $1.6 billion per annum. PPW's future capital spending program is expected to be comprised of wind, transmission, environmental remediation, and generation projects as well as system overhauls to maintain reliability and serve new load. Among PPW's largest expansion projects is the Energy Gateway transmission project, which is expected to be a more than $6 billion investment.

Energy Gateway contemplates the addition of approximately 2,000 miles of high voltage transmission lines primarily in Utah, Wyoming Idaho, Oregon, and the desert Southwest during 2010–2018. The first phase of the project, Populus (in southern Idaho)-to-Terminal (near Salt Lake City, UT), is a 135-mile double circuit 345-kilovolt line that was fully completed and placed in service Nov. 19, 2010.

Future demand growth is expected to be met through a mix of efficient wind and fossil generation as well as demand-side management and energy efficiency programs. Although risk of cost overrun and significant delay to PPW's capital expenditure program is a potential concern for investors, Fitch notes that management has compiled a solid track record in executing its investment plans.

Regulatory Developments

Given the size of its planned capital investment, timely recovery of capital and related operating and maintenance costs is crucial for PPW's creditworthiness. Therefore, currently unanticipated adverse developments in PPW's six regulatory jurisdictions, leading to greater regulatory lag or lower recoveries, and resulting weaker coverage ratios compared with Fitch's projections could lead to future deterioration in PPW's creditworthiness and lower credit ratings.

PPW management remains keenly focused on managing the regulatory process through effective communication with regulators, frequent rate case filings, and working closely with policymakers and intervener groups to implement effective cost-recovery mechanisms and policies. Indeed, PPW has compiled a track record of settled general rate case (GRC), power cost adjustment, and other tariff proceedings with balanced outcomes across its service territory in recent years.

PPW's efforts to reduce regulatory lag and commodity exposure have significantly improved the utility's business risk profile, in Fitch's view. Such measures include adoption of a forward-looking test year in GRC filings and single-issue rate case proceedings in Utah, as well as adoption of net power supply cost adjustment mechanisms in Oregon, California, Idaho, and Wyoming.

PPW filed requests to implement an energy cost adjustment mechanism (ECAM) in Utah and replace the expiring power cost adjustment mechanism (PCAM) with an ECAM in Wyoming. The ECAM filings were filed by PPW in March 2009 in Utah and April 2010 in Wyoming.

The Utah Public Service Commission (UPSC) is expected issue a final order in the company's pending ECAM in the first quarter of 2011. The ECAM proceeding was bifurcated into two phases. The first phase of the ECAM was completed in the first quarter of 2010, with the UPSC issuing an order to proceed to the second phase. In its order, the UPSC concluded that evidence to be presented in phase two of the proceeding would be needed to determine if an ECAM is in the public interest. Hearings in ECAM phase two were completed in November 2010. A final order is expected in the first quarter of 2011.

In Wyoming, PPW's PCAM is scheduled to sunset with final deferral of net power costs in November 2010 and collection through March 2012. In April 2010, PPW filed an application with the Wyoming Public Service Commission (WPSC) to adopt a new ECAM to replace the expiring PCAM. A final order is expected to be issued by the WPSC in the first quarter of 2011 effective retroactive to Dec. 1, 2010.

Certain parties to the Utah and Wyoming ECAM proceedings have submitted testimony arguing for larger sharing of power supply cost differentials and dead bands. Fuel adjustors structured in this way will, all else equal, expose the utility to greater commodity risk than a mechanism with full pass-through of such costs to ratepayers on a timely basis. In Fitch's opinion, adoption and implementation of fuel adjustors that facilitate full and timely recovery of prudently incurred power supply costs reduce commodity risk and are constructive from a fixed income investor point-of-view.

In December 2010, the UPSC issued an order approving a $64 million annual rate increase to recover PPW costs associated with certain projects completed in 2010. The single-issue rate cases were filed with the commission in February 2010 and August 2010 to recover costs associated with projects completed by PPW in June 2010 and December 2010, respectively. New rates will be effective January 2011.

PPW has GRC filings pending in Wyoming, Washington, and Idaho, supporting $98 million (17%), $57 million (21%), and $25 million (12%) rate increases, respectively. Final orders in the rate proceedings are anticipated in 2011.

Corporate Structure

BRK

PPW's affiliation with intermediate holding company, MEHC, and its ultimate parent, BRK, provides two unique, specific financial advantages that confer, in Fitch's view, a measure of incremental financial flexibility to PPW.

First, unlike most utility holding companies, MEHC benefits significantly from capital retained as the direct result of BRK's financial strength, which obviates the need for MEHC to upstream dividends, in turn lowering dividend requirements from its operating subsidiaries.

Second, MEHC and BRK have entered into an equity commitment agreement (ECA). The ECA provides equity capital of up to $3.5 billion through February 2011 and $2 billion through February 2014 at the request of MEHC, to be used for the purpose of paying when due MEHC debt obligations and funding the general corporate purposes and capital requirements of MEHC's regulated subsidiaries.

PPW's ratings benefit from the strong financial position of BRK, its ultimate corporate parent, and BRK's strategy to invest in utility assets for the long term.

Ring-Fencing Measures

MEHC has implemented policies and procedures, including the creation of a special purpose entity, PPW Holdings, LLC (PPWH) designed to insulate PPWH and its operating subsidiary PPW from its parent, MEHC, and affiliates. Among other things, the ring-fence provisions include: a non consolidation opinion; an independent director; non-recourse structure; dividend restrictions; a prohibition against the use of PPWH's credit or pledge of its assets for the benefit of any other company; and, the maintenance of separate books, financial records, and employees.

Financial Summary — PacifiCorp

($ Mil., Fiscal Year-End December)

	LTM 9/30/10	2009	2008	2007	2006
Fundamental Ratios (x)					
FFO/Interest Expense	5.6	5.5	4.3	4.0	3.9
CFO/Interest Expense	4.9	4.8	3.9	3.6	3.0
FFO/Debt (%)	27.1	27.6	20.0	18.1	14.3
Operating EBIT/Interest Expense	2.8	2.7	2.8	2.8	1.9
Operating EBITDA/Interest Expense	4.3	4.1	4.2	4.4	3.5
Operating EBITDAR/(Interest Expense + Rent)	4.3	4.1	4.2	4.4	3.5
Debt/Operating EBITDA	4.0	4.0	3.9	3.7	5.9
Common Dividend Payout (%)	—	—	—	—	—
Internal Cash/Capex (%)	80.7	64.3	55.3	54.1	40.9
Capex/Depreciation (%)	326.5	424.0	365.1	305.6	296.1
Profitability					
Adjusted Revenues	4,502	4,457	4,498	4,258	2,924
Net Revenues	2,843	2,780	2,541	2,490	1,627
Operating and Maintenance Expense	1,072	1,035	992	1,004	780
Operating EBITDA	1,635	1,609	1,437	1,385	770
Depreciation and Amortization Expense	555	549	490	497	355
Operating EBIT	1,080	1,060	947	888	415
Gross Interest Expense	379	394	343	314	220
Net Income for Common	589	542	458	439	159
Operating Maintenance Expense % of Net Revenues	37.7	37.2	39.0	40.3	47.9
Operating EBIT % of Net Revenues	38.0	38.1	37.3	35.7	25.5
Cash Flow					
Cash Flow from Operations	1,465	1,500	992	824	432
Change in Working Capital	(284)	(274)	(142)	(115)	(213)
Funds from Operations	1,749	1,774	1,134	939	645
Dividends	(2)	(2)	(2)	(2)	(2)
Capital Expenditures	(1,812)	(2,328)	(1,789)	(1,519)	(1,051)
Free Cash Flow	(349)	(830)	(799)	(697)	(621)
Net Other Investment Cash Flow	(7)	5	6	8	9
Net Change in Debt	18	763	469	669	350
Net Equity Proceeds	225	125	450	162	207
Capital Structure					
Short-Term Debt	34	—	85	—	397
Long-Term Debt	6,425	6,426	5,578	5,177	4,114
Total Debt	6,459	6,426	5,663	5,177	4,511
Total Hybrid Equity and Minority Interest	31	115	31	31	59
Common Equity	7,153	6,607	5,946	5,039	4,386
Total Capital	13,643	13,148	11,640	10,247	8,956
Total Debt/Total Capital (%)	47.3	48.9	48.7	50.5	50.4
Total Hybrid Equity and Minority Interest/Total Capital (%)	0.2	0.9	0.3	0.3	0.7
Common Equity/Total Capital (%)	52.4	50.3	51.1	49.2	49.0

LTM – Latest 12 months. Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding.
Source: Company reports, Fitch Ratings.

Rocky Mountain Power
Exhibit RMP___(BNW-7)
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Bruce N. Williams

May 8, 2013 Moody's Investors Service

January 2014

MOODY'S
INVESTORS SERVICE

Credit Opinion: PacifiCorp

Global Credit Research - 08 May 2013

Portland, Oregon, United States

Ratings

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

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Key Indicators

[1]**PacifiCorp**

	2012	**2011**	**2010**	**2009**
(CFO Pre-W/C + Interest) / Interest Expense	**4.9x**	**4.8x**	**5.3x**	**5.2x**
(CFO Pre-W/C) / Debt	**21.1%**	**21.0%**	**25.7%**	**26.0%**
(CFO Pre-W/C - Dividends) / Debt	**18.4%**	**13.5%**	**25.7%**	**26.0%**
Debt / Book Capitalization	**38.3%**	**39.8%**	**38.8%**	**42.4%**

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

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

Opinion

Rating Drivers

Reasonably supportive regulatory environment

Diversification to mitigate exposures to environmental spending, economic cycles

Solid credit metrics

Benefits from Berkshire Hathaway affiliation

Corporate Profile

PacifiCorp (Baa1 senior unsecured, stable) is a vertically integrated electric utility company headquartered in Portland, Oregon serving 1.8 million retail electric customers in six states, including Utah (44% of PacifiCorp's 2012 retail electricity volumes), Oregon (23%), Wyoming (17%), Washington (7%), Idaho (7%), and California (2%). PacifiCorp also has ancillary operations in wholesale power marketing (18% of 2012 electricity volumes, as a result of excess electricity generation or other system balancing activities) and coal mining services, both which support its core utility business.

PacifiCorp is the largest subsidiary of MidAmerican Energy Holdings Company (MEHC: Baa1 senior unsecured, stable), accounting for roughly 40% of MidAmerican's operating income in 2012. MEHC, in turn, is a consolidated subsidiary of Berkshire Hathaway Inc. (BRK: Aa2 Issuer Rating, stable).

SUMMARY RATING RATIONALE

PacifiCorp's ratings are supported by the stability of the utility's regulated cash flows, the geographically diverse and relatively constructive regulatory environments in which it operates, the diversification of its generation portfolio, and solid credit metrics. The rating also considers PacifiCorp's position as a subsidiary of MEHC, a holding company whose subsidiaries are primarily engaged in regulated activities, and the benefits from its affiliation with BRK.

DETAILED RATING CONSIDERATIONS

Reasonably supportive regulatory environment

PacifiCorp's rating recognizes the rate-regulated nature of its electric utility operations which generate stable and predictable cash flows. PacifiCorp operates in regulatory jurisdictions that Moody's considers as average in terms of framework, consistency and predictability of decisions along with an expectation of timely recovery of costs and investments. This "average" assessment is in line with Moody's views of most US state jurisdictions compared to regulatory environments elsewhere in the world.

Regulatory lag is a challenge for PacifiCorp, which has long maintained large capital programs to meet load growth as well as regulatory requirements for emissions control, renewable standards, and reliability. Although PacifiCorp has been filing rate cases every year or so in its largest jurisdictions and getting reasonable outcomes, the large capital investments cause its actual returns on equity to be in the 7%- 8% range compared to the roughly 10% that it is allowed.

Expecting weak load growth over the next decade, the company has cut future capital expenditures to roughly $1.1 billion a year, down considerably from the $1.5 billion it has spent in recent years. Almost half of the reduction is in generation. Less capital spending will reduce the need for rate relief and, consequently, regulatory lag.

The most significant of the 2012 rate orders was in Utah, by far its biggest jurisdiction, where $154 million in rate increases (8.5%) will be staged in over 2 years. Sizable rate cases have been filed in Oregon and Washington in Q1 2013, requesting increases of $56 million (5%) and $43 million (14%), respectively. These cases should be decided by year-end 2013.

Future rate filings will arise from its $6 billion Energy Gateway transmission program, with multiple segments currently under construction, and its Lake Side 2 gas plant, which is expected to come online in 2014. The ability to use a forward test year in its rate requests helps to limit regulatory lag in Utah, Oregon, Wyoming, and California. The company has been successful in getting approvals for its major projects; however, it is exposed to some disallowances in most of its jurisdictions, where pre-approvals on projects or cash returns on construction work in progress are not granted.

The company has obtained energy cost adjustment mechanisms in all its jurisdictions now except Washington. Such mechanisms to recover fuel and purchased power costs -- a large, volatile expense --are more established in other parts of the country. While this development is supportive of credit quality, there remains some lag in recovering portions of energy costs. For example, in Utah, Wyoming, and Idaho, the majority of the difference between the actual power costs and costs established in its base rates is deferred. This difference is then recovered or refunded after an annual filing.

Diversification to mitigate exposures to environmental spending, economic cycles

PacifiCorp benefits from a well diversified generation portfolio. Its 11,224 MW of net generating capacity is comprised primarily of its low cost base-load coal plants (55% of the company's generation), along with 25% from its gas assets and 10% from hydro.

With coal accounting for a slight majority of its generation capacity, PacifiCorp is subject to numerous emissions standards, but the company is well positioned to comply with the vast majority of its plants already equipped with sulfur dioxide and nitrogen oxide controls.

Reflecting a common strategic imperative among MEHC affiliates, PacifiCorp has been investing heavily to increase its non-carbon generation resources, and in so doing, has become the second-largest utility owner of wind generation facilities in the US. Owning this much wind capacity not only mitigates exposure to stricter environmental rules for coal plants, but also helps in meeting ambitious renewable portfolio standards in Oregon, Washington, and California.

The market and customer diversity of PacifiCorp's six-state service territory is favorable, because it mitigates the economic and regulatory impacts in any one jurisdiction. This benefit is demonstrated by the recent economic impact on retail sales. Load has been declining for five straight years in the Pacific Northwest from still weak industrial demand, while the Rocky Mountain states have enjoyed some commercial and industrial growth from oil and gas activity, which has been offset by self-generation among its industrial customers.

Solid credit metrics

PacifiCorp's overall key credit metrics in 2012 mapped to the low A range in the Regulated Utilities Methodology. The ratio of cash from operations before changes in working capital (CFO pre-W/C) to Debt, calculated in accordance with Moody's standard adjustments, was unchanged from 2011 at 21%, compared to 26% in both 2010 and 2009. Its CFO pre-W/C interest coverage was 4.9x in 2012 versus 4.8x in 2011and the 5x range in 2010 and 2009.

PacifiCorp's credit metrics - like the rest of the utilities industry - have been buoyed by the effects of bonus depreciation, a temporary tax benefit which will extend through 2013. Normalized to exclude bonus depreciation, CFO pre-W/C to Debt would have been in the upper-teens and CFO pre-W/C interest expense coverage would have been in the mid to lower 4 times range during 2009-2011. After bonus depreciation ends in 2013, PacifiCorp's credit metrics will return to more normal, sustainable levels.

Benefits from Berkshire Hathaway affiliation

PacifiCorp paid dividends of $200 million to MEHC in 2012, and $550 million in 2011, which was its first since being acquired by MEHC in 2006. MEHC had made equity contributions in each of the previous five years totaling $1.1 billion to help PacifiCorp finance its capital expenditures during this period. The dividends were intended to manage PacifiCorp's equity ratio (as measured by unadjusted equity to equity plus debt) around 50% after it had accreted to 53% as of year-end 2010. PacifiCorp is not held to a regular dividend, but will likely make additional dividends periodically, depending on its capital requirements and equity ratio.

From a credit perspective, the company's ability to retain its earnings as an entity that is privately held, particularly by a deep-pocketed sponsor like BRK, is an advantage over most other investor owned utilities that are typically held to a regular dividend to their shareholders. An additional tangible benefit from PacifiCorp's BRK affiliation is an equity commitment agreement, expiring on February 28, 2014, between MEHC and BRK, under which BRK has committed to provide up to $2 billion through February 2014. Equity from this agreement may be requested to fund MEHC's debt obligations or to provide capital to MEHC's regulated subsidiaries, including PacifiCorp. This agreement thus provides PacifiCorp with an additional source of alternate liquidity. We do not expect the commitment to be renewed, thus somewhat weakening the liquidity profile in 2014 and beyond, but we see no reason why BRK would not be supportive in the event of extraordinary and unanticipated difficulty at MEHC.

Liquidity Profile

PacifiCorp has good near-term liquidity, with $133 million in cash and two $600 million revolvers expiring in 2017 and 2018, of which about $888 million was available as of March 31, 2013. In 2012, the company generated cash flow from operations before working capital changes of $1.5 billion which will more than cover the $1.1 billion a year it plans on capital expenditures. Excluding minor amounts of revenue bonds, significant upcoming debt maturities include $200 million due on September 15, 2013 and $200 million due on August 15, 2014. The roughly $400 million reduction in annual capital expenditures will reduce the need for long and short term borrowings.

PacifiCorp uses its credit facilities to backstop its commercial paper program and to support its variable rate tax-exempt bonds. These credit agreements do not a require MAC representation for borrowings, which Moody's views positively. The sole financial covenant is a limitation on debt to 65% of total capitalization. As of March 31, 2013, PacifiCorp had ample headroom under that covenant with that ratio at 47% as defined in the agreement.

Rating Outlook

The stable outlook incorporates Moody's expectation that PacifiCorp will continue to receive reasonable regulatory treatment for the recovery of its capital expenditures, and that the funding requirements will be financed in a manner consistent with management's commitment to maintain a healthy financial profile. After the bonus depreciation ends in 2013, Moody's anticipates that PacifiCorp's credit metrics will return to the levels more typical before 2009, with CFO pre-W/C to Debt just below 20%.

What Could Change the Rating - Up

While the size of the company's capital expenditures limits the prospects for a rating upgrade in the near-term, the rating could be upgraded if reasonable regulatory support and a conservatively financed capital expenditure program results in a sustained improvement in credit metrics. This would include, for example, PacifiCorp's ratios of CFO pre-W/C to Debt sustained in the mid 20% range.

What Could Change the Rating - Down

The ratings could be adjusted downward if PacifiCorp's planned capital expenditures are funded in a manner inconsistent with its current financial profile, or if there were to be adverse regulatory rulings on current and future rate cases such that we would anticipate a sustained deterioration in financial metrics as demonstrated, for example, by a ratio of CFO pre-W/C to Debt falling to the mid teens.

Rating Factors

PacifiCorp

Regulated Electric and Gas Utilities Industry [1][2]	**12/31/2012**		**Moody's 12-18 month Forward View* As of May 2013**	
Factor 1: Regulatory Framework (25%)	Measure	Score	Measure	Score
a) Regulatory Framework		Baa		Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)				
a) Ability To Recover Costs And Earn Returns		Baa		Baa
Factor 3: Diversification (10%)				
a) Market Position (5%)		A		A
b) Generation and Fuel Diversity (5%)		Baa		Baa
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)				
a) Liquidity (10%)		A		A
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	5.0x	A	4.5x-4.9x	A
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	22.5%	A	18%-	Baa

d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	19.0%	A	20% 16%-18%	A
e) Debt/Capitalization (3 Year Avg) (7.5%)	39.0%	A	36%-39%	A
Rating:				
a) Indicated Rating from Grid		Baa1		Baa1
b) Actual Rating Assigned		Baa1		Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2012(LTM); Source: Moody's Financial Metrics

MOODY'S
INVESTORS SERVICE

Rocky Mountain Power
Exhibit RMP___(BNW-8)
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Bruce N. Williams

April 29, 2013 S&P Ratings Direct

January 2014

STANDARD & POOR'S RATINGS SERVICES

RatingsDirect®

Summary:
PacifiCorp

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Table Of Contents

Summary:
PacifiCorp

Corporate Credit Rating	A-/Stable/A-2

Profile Assessments

BUSINESS RISK	EXCELLENT	Vulnerable — Excellent
FINANCIAL RISK	SIGNIFICANT	Highly leveraged — Minimal

Rationale

Business Risk: Excellent

- Stable operating cash flow from the regulated utility operations supports the credit profile
- Roughly 65% of revenue from "less credit supportive" regulatory environments
- About 70% of retail revenue is derived from residential and commercial customers, which provides cash flow diversity and at least a base level of usage
- Prudent management of coal-fired generating units to meet growing environmental compliance requirements
- Parent MidAmerican Energy Holdings Co. (MEHC) does not expand nonregulated operations to a level that would result in a change to the business risk profile

Financial Risk: Significant

- Net cash flow to capital spending to remain less than 100%
- Discretionary cash flow to remain negative
- Over the next several years, capital spending remains about the same because previously planned spending levels by PacifiCorp have been curtailed.
- EBITDA growth consisting of revenue increases and customer growth expected to be about the same as in recent years
- Berkshire Hathaway could acquire businesses riskier than the current businesses of MEHC, which has been used as the holding company for energy assets
- Sizable parent level debt remains a rating consideration

Outlook: Stable

The stable rating outlook on PacifiCorp reflects our expectation that management will continue to focus on its core utility operations and reach construction regulatory outcomes to avoid any meaningful business risk rise. The outlook also includes our projection that cash flow measures will decrease as construction projects move forward and bonus depreciation benefits decrease. Our base forecast includes adjusted funds from operations (FFO) to total debt of about 18%, adjusted debt to EBITDA of roughly 4x, and adjusted debt to total capital hovering at 50%. These measures are consistent with our expectations for the rating.

Downside scenario

We could lower ratings if financial measures consistently underperform our base forecast and remain at less credit-supportive levels, including adjusted FFO to total debt of less than 17%, adjusted debt to EBITDA that exceeds 5x, and adjusted debt to total capitalization of more than 54%.

Upside scenario

We do not contemplate positive rating actions because of near-term capital needs, but we could raise ratings if financial measures strengthen and consistently exceed our base forecast, including FFO to total debt greater than 22%, debt to EBITDA less than 4x, and debt to total capital of no more than 47%.

Standard & Poor's Base-Case Scenario

Our base case scenario results in moderate EBITDA growth, negative discretionary cash flow, and mostly steady debt to capital.

Assumptions

- EBITDA growth from average retail sales growth of about 1.5% and incremental cost recovery through various rate mechanisms, including base rate increases
- Rate recovery through surcharge mechanisms for capital projects, if requested
- Capital spending and dividend payouts that result in negative discretionary cash flow, indicating external funding needs

Key Metrics*

	2012A	2013E	2014E
FFO/Total debt (%)	19.5%	16%-19%	15%-18%
Debt/EBITDA (x)	4.5x	3.8x-4.3x	3.8x-4.3x
Total debt/Total capital (%)	50.3	48%-52%	48%-52%

A--Actual. E--Estimate. *Standard & Poor's adjusted consolidated financial measures for PacifiCorp include adjustments to debt for pension-related items ($382 mil.), accrued interest not in reported debt ($113 mil.), and asset retirement obligations ($83 mil.). EBITDA adjustments include pension-related items ($23 mil.) and asset retirement finance costs ($5 mil.). FFO adjustments include pension-related items ($38 mil.) and operating leases ($6 mil.). We do not expect these adjustments to change materially in 2013 and 2014.

Business Risk: Excellent

Our assessment of PacifiCorp's business risk profile as "excellent" reflects that it is a vertically integrated electric utility with geographical, market, and regulatory diversity over its six-state service territory. PacifiCorp provides power to its 1.7 million retail customers in Utah, Wyoming, and Idaho as Rocky Mountain Power and in Oregon, Washington, and California as Pacific Power. Utah and Oregon are the most important markets for the company, providing about 45% and 25% of annual retail sales, respectively.

There are provisions between MEHC and PacifiCorp that provide for raising the utility's rating above MEHC's 'BBB+' corporate credit rating. PacifiCorp's stand-alone credit measures and business risk profile must also support the higher rating. MEHC is privately held and majority owned by Berkshire Hathaway Inc. Our criteria provide that our corporate credit rating on PacifiCorp can be no more than three notches above the MEHC consolidated credit rating. PacifiCorp is currently rated one notch higher than parent MEHC.

PacifiCorp has made modest strides in improving key business and regulatory aspects. Despite the sluggish economic recovery in the company's Pacific Northwest territory, its western states, especially Utah, continue to exhibit some growth. PacifiCorp has been able to eke out rate increases that are in line with our expectations, and the utility was granted a fuel and purchased power adjuster in Utah last year. Fuel adjustment mechanisms exist for all states but Washington. A key ongoing challenge for PacifiCorp is whether it will be able to achieve rate relief at levels necessary to sustain the company's capital investment program. The program has been at high levels and will remain so in the next few years, despite the sluggish economic recovery. MEHC has been consistent in its investment strategy for PacifiCorp, with ongoing capital spending that will continue to result in the need for regular revenue increases, requiring prudent cost recovery management.

Financial Risk: Significant

We consider PacifiCorp's financial risk profile "significant" based on its consolidated financial measures, which include adjusted financial measures (FFO to total debt of 19.5%, debt to EBITDA of 4.5x, and debt to total capital of 50%, all for the 12 months ended Dec. 31, 2012) that are in line with the rating. Also, we consider the company's financial policies to be aggressive. Capital spending and dividend payments translate to rising negative discretionary cash flow over the forecast period, indicating external funding needs and vigilant cost recovery by management to maintain cash flow measures. Our base-case forecast suggests FFO to total debt weakening to about 18%, due in part to the waning benefits of bonus depreciation. We also expect other debt leverage measures to vary, with debt to EBITDA decreasing to about 4x and total debt to total capital remaining at about 51%.

Liquidity: Adequate

PacifiCorp's stand-alone liquidity position is considered "adequate" under our liquidity methodology. We expect that its liquidity sources over the next 12 months will exceed its uses by 1.2x. We do expect PacifiCorp will need over the next few years to externally fund a portion of its liquidity needs for capital spending and debt maturities.

Principal Liquidity Sources	Principal Liquidity Uses
• FFO of roughly $1.4 billion in 2013 • Assumed credit facility availability of about $1.2 billion in 2013	• Debt maturities of $261 million in 2013 • Working capital outflows of $35 million • Capital spending of about $1.6 billion in 2013 • Distributions of about $100 million in 2013

Covenants

PacifiCorp had an adequate cushion of compliance with its one financial covenant (consolidated debt, including current maturities, to total capitalization to be less than 65%). Headroom could erode if debt rises rapidly without adequate growth in equity during a capital spending phase or due to high dividend payouts.

Recovery Analysis

We assign recovery ratings to first mortgage bonds (FMBs) issued by U.S. utilities, which can result in issue ratings being notched above a corporate credit rating (CCR) on a utility depending on the rating category and the extent of the collateral coverage. The FMBs issued by U.S. utilities are a form of "secured utility bond" (SUB) that qualify for a recovery rating as defined in our criteria (see "Collateral Coverage and Issue Notching Rules for '1+' and '1' Recovery Ratings on Senior Bonds Secured by Utility Real Property", published Feb. 14, 2013).

The recovery methodology is supported by the ample historical record of 100% recovery for secured bondholders in utility bankruptcies in the U.S. and our view that the factors that enhanced those recoveries (limited size of the creditor class and the durable value of utility rate-based assets during and after a reorganization given the essential service provided and the high replacement cost) will persist in the future.

Under our SUB criteria, we calculate a ratio of our estimate of the value of the collateral pledged to bondholders relative to the amount of FMBs outstanding. FMB ratings can exceed a CCR on a utility by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories depending on the calculated ratio.

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

Related Criteria And Research

- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008
- Business Risk/Financial Risk Matrix Expanded, Sept. 18, 2012
- 2008 Corporate Ratings Criteria: Ratios And Adjustments, April 15, 2008
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Collateral Coverage and Issue Notching Rules for ‘1+’ and ‘1’ Recovery Ratings on Senior Bonds Secured by Utility Real Property, Feb. 14, 2013
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008
- 2008 Corporate Criteria: Commercial Paper, April 15, 2008
- Corporate Criteria: Assessing U.S. Utility Regulatory Environments, Nov. 7, 2007
- Corporate Criteria: Standard & Poor's Methodology For Imputing Debt For U.S. Utilities' Power Purchase Agreements, May 7, 2007
- Parent/Subsidiary Links; General Principles; Subsidiaries/Joint Ventures/Nonrecourse Projects; Finance Subsidiaries; Rating Link to Parent, Oct. 28, 2004

Business And Financial Risk Matrix

	Financial Risk					
Business Risk	Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged
Excellent	AAA/AA+	AA	A	A-	BBB	--
Strong	AA	A	A-	BBB	BB	BB-
Satisfactory	A-	BBB+	BBB	BB+	BB-	B+
Fair	--	BBB-	BB+	BB	BB-	B
Weak	--	--	BB	BB-	B+	B-
Vulnerable	--	--	--	B+	B	B- or below

Note: These rating outcomes are shown for guidance purposes only. The ratings indicated in each cell of the matrix are the midpoints of the likely rating possibilities. There can be small positives and negatives that would lead to an outcome of one notch higher or lower than the typical matrix outcome. Moreover, there will be exceptions that go beyond a one-notch divergence. For example, the matrix does not address the lowest rungs of the credit spectrum (i.e., the 'CCC' category and lower). Other rating outcomes that are more than one notch off the matrix may occur for companies that have liquidity that we judge as "less than adequate" or "weak" under our criteria, or companies with "satisfactory" or better business risk profiles that have extreme debt burdens due to leveraged buyouts or other reasons. For government-related entities (GREs), the indicated rating would apply to the standalone credit profile, before giving any credit for potential government support.

Rocky Mountain Power
Exhibit RMP___(BNW-9)
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Bruce N. Williams

April 28, 2011 S&P Ratings Direct

January 2014

STANDARD
&POOR'S

Global Credit Portal
RatingsDirect®

April 28, 2011

Summary:
PacifiCorp

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Table Of Contents

Summary:
PacifiCorp

Credit Rating: A-/Stable/A-2

Rationale

The 'A-' corporate credit ratings on PacifiCorp reflect what Standard & Poor's Ratings Services views as a "significant" financial profile and is supported by its modest use of leverage to finance a large capital program and adequate cash flow metrics. Its "excellent" business profile benefits from the geographical, market, and regulatory diversity provided by its six-state service territory. PacifiCorp is an electric utility that serves customers under the name Rocky Mountain Power in Utah, Wyoming, and Idaho, and as Pacific Power in Oregon, Washington, and California. Utah and Oregon are the most important regions for the company, providing around 42% and 24% of annual retail sales, respectively.

PacifiCorp's financial performance has held steady throughout the recession. The utility's credit metrics would have deteriorated slightly in 2010 but for the benefits of bonus depreciation, which added $700 million in deferred taxes to the company's $1.4 billion in cash flow. Beneath this benefit, authorized rate increases in Utah, Wyoming, and Idaho supported a 1% increase in gross margin, but operating revenues and operating income for the year were both down slightly, by 0.6% and 2.2%, respectively, largely due to lower wholesale volumes and margins and weaker growth in retail sales. In 2010, funds from operations (FFO) to total debt was 25%, FFO interest coverage was 5.4x, and leverage was 50%.

A key consideration in 2011 is whether resurgence in sales will occur to rekindle modest growth. Although overall 2010 retail sales revenues increased by about 1%, this growth has been led by Rocky Mountain Power (which accounted for roughly two-thirds of retail sales). Utah's population and economic growth continue to outpace the nation's. Declines have been meaningful for Pacific Power, with retail sales falling a cumulative 4.4% over 2009 and 2010 on a weather-adjusted basis. Industrial load loss has been especially significant in Oregon, but may have bottomed.

Our expectation in 2011 is that the sales growth for Rocky Mountain Power market will continue to improve. A slower, more hesitant recovery appears likely for Pacific Power sales, and we expect retail sales through 2012 there to remain below levels seen when MidAmerican Energy Holdings Co. (MEHC; BBB+/Stable) acquired PacifiCorp in March 2006. As a result, growth led by Rocky Mountain should produce financial metrics in line with past performance, with FFO to total debt in the high teens and FFO interest coverage of 4.0x-4.5x. These expectations do not reflect any additional benefits for bonus depreciation. Leverage is not forecast to change from its current level of 50% of total capitalization.

PacifiCorp is wholly owned by MEHC. In turn, MEHC is privately held and majority owned by Berkshire Hathaway (AA+/Stable/A-1+). MEHC's stated strategy when it acquired PacifiCorp was to invest significant capital to upgrade its infrastructure. Its largest project is Energy Gateway, a new, 2,000-mile high-voltage transmission line that is being constructed in segments. In the company's 2010 10-K filing, it disclosed that it expects to spend $6 billion for the project, with about $1 billion of that amount to be spent over the next three years. MEHC has demonstrated a willingness to support the utility's capital program, providing PacifiCorp with $1.1 billion equity contributions since 2006. This has allowed the company to grow without straining borrowings.

The company's consolidated earned return on equity, at 8.2%, is below authorized levels, which vary but are in the area of 10%. For the company's investment strategy to succeed, PacifiCorp's customers will be required to shoulder nearly annual increases in electric rates at a time when utility regulators around the U.S. are especially focused on holding down costs. A March ruling in Idaho, which is a small portion of PacifiCorp's franchise, reduced the company's request by $11 million to $13.8 million, noting that difficult economic conditions challenge customer ability to pay rate increases. Two large rate cases are in process in Utah and Wyoming. It has requested a $232 million increase in Utah effective September 2011 that would increase rates an average of 14% if approved as filed. Also pending is a $98 million rate case in Wyoming, representing a 17% increase, with rates also requested to go into effect in September.

Liquidity

On a stand-alone basis (i.e., unenhanced by the existing contingent equity agreement available to MEHC to support any of its regulated subsidiaries, including PacifiCorp) we view the company's liquidity as "adequate" under our corporate liquidity methodology. This methodology categorizes liquidity in five standard descriptors (exceptional, strong, adequate, less than adequate, and weak). Projected sources of liquidity, which consist of operating cash flow and available bank lines, exceed projected uses, the company's committed capital expenditures, debt maturities, and common dividends by more than 1.2x over the next 12 months. Under our criteria, we exclude as sources of liquidity any facilities expiring within one year of the liquidity assessment date. This assessment does not consider MEHC draws on its contingent equity that it could make to support PacifiCorp's projected capital requirements and debt maturities over the next two years.

As of Dec. 31, 2010, cash and cash equivalents totaled $31 million. The utility maintains unsecured credit facilities totaling nearly $1.4 billion that mature 2012-2013. (A $760 million facility decreases to $720 million in July 2011. This reduction is reflected in our liquidity calculations.) As of Dec. 31, 2010, the company had additional borrowing capacity of $1.1 billion, because of $36 million of borrowings under the facility and $304 million of liquidity reserved to support variable-rate tax-exempt bond obligations and letters of credit. There are no rating triggers on the credit lines. PacifiCorp's next substantial long-term debt maturities are $587 million due in 2011 and $261 million in 2013.

Outlook

The stable outlook on the PacifiCorp ratings incorporates our expectation that MEHC will continue to support the utility by contributing sufficient equity to manage its debt levels to 50% of total capitalization on a fully adjusted basis. We expect FFO to total debt and FFO interest coverage will be in the high teens and the 4.0x-4.5x range, respectively. We view these cash flow levels as minimum levels to maintain the rating. As in 2010, credit metrics could exceed these levels this year, depending on whether the company is able to utilize bonus depreciation benefits. We do not expect upward ratings momentum for the utility, given its heavy investment program. PacifiCorp benefits from regulatory insulation from its parent. Our criteria provide that the PacifiCorp corporate credit rating can be no more than three notches above the MEHC consolidated credit rating. The companies are a notch apart. We do not see significant risks that the utility rating will fall as a result of adverse rating changes on MEHC, which also has a stable rating outlook.

Rocky Mountain Power
Exhibit RMP___(BNW-10)
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Bruce N. Williams

Preferred Stock Called for Redemption in 2013

January 2014

PacifiCorp

Preferred Stock Called for Redemption in 2013

Regulatory accounting for recovery of redemption premiums and other associated costs of refunded preferred stock series

			FERC Accounts	Debit	Credit
2013 Preferred Stock Redemptions (6 series)					
#1	Total Preferred Stock (stated value)	204	Preferred Stock	38,335,500.00	
	Total Call Premiums (a)	439	Adjustments to Retained Earnings	1,756,408.34	
	Total other redemption costs (a)	439	Adjustments to Retained Earnings	3,167.83	
	Cash	131	Cash		40,095,076.17
	Redemptions of callable preferred stock at stated redemption prices.				
#2	Total Stock Expense - redeemed series (a)	439	Adjustments to Retained Earnings	183,498.35	
	Capital Stock Expense	214	Capital Stock Expense		183,498.35
	Removal of capital stock expense associated with redeemed preferred stock.				
Requested Regulatory Accounting					
#3	Regulatory Asset	182.3	Other Regulatory Assets	1,943,074.52	
	Regulatory Credit	407.4	Regulatory Credits		1,943,074.52
	Establishment of state regulatory deferral for costs associated with redeemed preferred stock - total of items labeled with (a) in redemption accounting entries above.				
#4	Regulatory Debits	407.3	Regulatory Debits	5,397.43	
	Regulatory Asset	182.3	Other Regulatory Assets		5,397.43
	Monthly amortization over the life of the refunding long-term debt (projected 30 year maturity) - similar in treatment with FERC USOA General Instruction 17.C. for Long-Term Debt Loss on Reacquisition, with refunding.				

Rocky Mountain Power
Exhibit RMP___(BNW-11)
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Bruce N. Williams

Pro Forma Cost of Long-Term Debt Summary

January 2014

PACIFICORP
Electric Operations
Pro forma Cost of Long-Term Debt Summary
12 Months Ended June 30, 2015

LINE NO.	DESCRIPTION	AVERAGE AMOUNT OUTSTANDING	ISSUANCE EXPENSES	REDEMPTION EXPENSES	NET PROCEEDS TO COMPANY	ANNUAL DEBT SERVICE COST	INTEREST RATE	ALL-IN COST	ORIG LIFE	LINE NO.
1										1
2	**Total First Mortgage Bonds**	**$6,574,902,800**	**($68,037,855)**	**($31,219,786)**	**$6,475,645,160**	**$367,509,962**	**5.452%**	**5.590%**	**23.8**	2
3										3
4	Subtotal - Pollution Control Revenue Bonds secured by FMBs	$260,742,000	($6,286,696)	($4,807,330)	$249,647,974	$4,902,750	1.684%	1.880%	29.1	4
5	Subtotal - Pollution Control Revenue Bonds	$313,725,000	($3,474,397)	($7,228,979)	$303,021,624	$4,920,346	1.409%	1.568%	27.6	5
6	**Total Pollution Control Revenue Bonds**	**$574,467,000**	**($9,761,092)**	**($12,036,309)**	**$552,669,599**	**$9,823,096**	**1.534%**	**1.710%**	**28.3**	6
7										7
8	Loss on Long Term Debt Reacquistions, without Refunding					$191,971				8
9	**Total Cost of Long Term Debt**	**$7,149,369,800**	**($77,798,947)**	**($43,256,095)**	**$7,028,314,758**	**$377,525,029**	**5.137%**	**5.281%**	**24.2**	9
10										10

PACIFICORP
Electric Operations
Pro Forma Cost of Long Term Debt Detail
12 Months Ended June 30, 2015

LINE NO.	INTEREST RATE	DESCRIPTION	ISSUANCE DATE	MATURITY DATE	ORIG LIFE	PRINCIPAL AMOUNT ORIGINAL ISSUE	PRINCIPAL AMOUNT AVE OUTSTANDING	ISSUANCE EXPENSES	REDEMPTION EXPENSES	NET PROCEEDS TO COMPANY TOTAL DOLLAR AMOUNT	NET PROCEEDS TO COMPANY PER $100 PRINCIPAL AMOUNT	MONEY TO COMPANY	ANNUAL DEBT SERVICE COST	LINE NO.
	(a)	(b)	(c)	(d)	(e)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
1														1
2		**First Mortgage Bonds**												2
3	8.734%	C-U Series due thru Oct 2014	04/15/92	10/01/14	22	$28,218,000	$1,049,200	$0	$0	$1,049,200	$100.000	8.733%	$91,627	3
4	8.294%	C-U Series due thru Oct 2015	04/15/92	10/01/15	23	$46,946,000	$5,720,400	$0	$0	$5,720,400	$100.000	8.293%	$474,393	4
5	8.635%	C-U Series due thru Oct 2016	04/15/92	10/01/16	23	$18,750,000	$3,813,400	$0	$0	$3,813,400	$100.000	8.634%	$329,249	5
6	8.470%	C-U Series due thru Oct 2017	04/15/92	10/01/17	24	$19,609,000	$5,319,800	$0	$0	$5,319,800	$100.000	8.469%	$450,534	6
7	**8.464%**	**Subtotal - Amortizing FMBs**			**23**		**$15,902,800**	**$0**	**$0**	**$15,902,800**		**8.463%**	**$1,345,802**	7
8														8
9	4.950%	Series due Aug 2014	08/24/04	08/15/14	10	$200,000,000	$40,000,000	($434,073)	$0	$39,565,927	$98.915	5.090%	$2,036,000	9
10	5.650%	Series due Jul 2018	07/17/08	07/15/18	10	$500,000,000	$500,000,000	($3,972,221)	$0	$496,027,779	$99.206	5.756%	$28,780,000	10
11	5.500%	Series due Jan 2019	01/08/09	01/15/19	10	$350,000,000	$350,000,000	($4,808,293)	$0	$345,191,707	$98.626	5.682%	$19,887,000	11
12	3.850%	Series due Jun 2021	05/12/11	06/15/21	10	$400,000,000	$400,000,000	($3,751,138)	$0	$396,248,862	$99.062	3.963%	$15,852,000	12
13	2.950%	Series due Feb 2022	01/06/12	02/01/22	10	$350,000,000	$350,000,000	($2,731,808)	$0	$347,268,192	$99.219	3.040%	$10,640,000	13
14	2.950%	Series due Feb 2022 (2)	03/06/12	02/01/22	10	$100,000,000	$100,000,000	($173,129)	($4,970,793)	$94,856,079	$94.856	3.571%	$3,571,000	14
15	2.950%	Series due Jun 2023	06/06/13	06/01/23	10	$300,000,000	$300,000,000	($2,750,000)	$0	$297,250,000	$99.083	3.057%	$9,171,000	15
15	7.700%	Series due Nov 2031	11/21/01	11/15/31	30	$300,000,000	$300,000,000	($3,701,310)	$0	$296,298,690	$98.766	7.807%	$23,421,000	15
16	5.900%	Series due Aug 2034	08/24/04	08/15/34	30	$200,000,000	$200,000,000	($2,614,365)	$0	$197,385,635	$98.693	5.994%	$11,988,000	16
17	5.250%	Series due Jun 2035	06/08/05	06/15/35	30	$300,000,000	$300,000,000	($3,992,021)	($1,295,995)	$294,711,984	$98.237	5.369%	$16,107,000	17
18	6.100%	Series due Aug 2036	08/10/06	08/01/36	30	$350,000,000	$350,000,000	($4,048,881)	$0	$345,951,119	$98.843	6.185%	$21,647,500	18
19	5.750%	Series due Apr 2037	03/14/07	04/01/37	30	$600,000,000	$600,000,000	($613,216)	$0	$599,386,784	$99.898	5.757%	$34,542,000	19
20	6.250%	Series due Oct 2037	10/03/07	10/15/37	30	$600,000,000	$600,000,000	($5,877,281)	$0	$594,122,719	$99.020	6.323%	$37,938,000	20
21	6.350%	Series due Jul 2038	07/17/08	07/15/38	30	$300,000,000	$300,000,000	($3,961,333)	$0	$296,038,667	$98.680	6.450%	$19,350,000	21
22	6.000%	Series due Jan 2039	01/08/09	01/15/39	30	$650,000,000	$650,000,000	($12,309,687)	$0	$637,690,313	$98.106	6.139%	$39,903,500	22
23	4.100%	Series due Feb 2042	01/06/12	02/01/42	30	$300,000,000	$300,000,000	($3,724,549)	$0	$296,275,451	$98.758	4.173%	$12,519,000	23
24	4.841%	Pro-forma Series	03/16/14	03/16/44	30	$375,000,000	$375,000,000	($3,781,250)	($1,943,075)	$369,275,675	$98.474	4.939%	$18,521,250	24
25	5.051%	Pro-forma Series	03/16/15	03/16/45	30	$300,000,000	$120,000,000	($1,250,000)	$0	$118,750,000	$98.958	5.119%	$6,142,800	25
26	**5.307%**	**Subtotal - Bullet FMBs**			**23**		**$6,135,000,000**	**($64,494,554)**	**($8,209,863)**	**$6,062,295,584**		**5.412%**	**$332,017,050**	26
27														27
28	8.530%	Series C due Dec 2021	12/16/91	12/16/21	30	$15,000,000	$15,000,000	($115,202)	($2,053,922)	$12,830,877	$85.539	10.066%	$1,509,900	28
29	8.375%	Series C due Dec 2021	12/31/91	12/31/21	30	$5,000,000	$5,000,000	($38,400)	($684,641)	$4,276,959	$85.539	9.889%	$494,450	29
30	8.260%	Series C due Jan 2022	01/08/92	01/07/22	30	$5,000,000	$5,000,000	($33,243)	($684,641)	$4,282,117	$85.642	9.745%	$487,250	30
31	8.270%	Series C due Jan 2022	01/09/92	01/10/22	30	$4,000,000	$4,000,000	($30,594)	($547,712)	$3,421,693	$85.542	9.768%	$390,720	31
32	**8.421%**	**Subtotal - Series C MTNs**			**30**		**$29,000,000**	**($217,439)**	**($3,970,915)**	**$24,811,646**		**9.939%**	**$2,882,320**	32
33														33
34	8.050%	Series E due Sep 2022	09/18/92	09/01/22	30	$15,000,000	$15,000,000	($131,471)	($1,695,566)	$13,172,963	$87.820	9.257%	$1,388,550	34
35	8.070%	Series E due Sep 2022	09/09/92	09/09/22	30	$8,000,000	$8,000,000	($70,118)	($904,302)	$7,025,580	$87.820	9.280%	$742,400	35
36	8.110%	Series E due Sep 2022	09/11/92	09/09/22	30	$12,000,000	$12,000,000	($105,177)	($1,356,453)	$10,538,370	$87.820	9.325%	$1,119,000	36
37	8.120%	Series E due Sep 2022	09/11/92	09/09/22	30	$50,000,000	$50,000,000	($438,238)	($5,651,887)	$43,909,875	$87.820	9.336%	$4,668,000	37
38	8.050%	Series E due Sep 2022	09/14/92	09/14/22	30	$10,000,000	$10,000,000	($87,648)	($1,130,377)	$8,781,975	$87.820	9.258%	$925,800	38
39	8.080%	Series E due Oct 2022	10/15/92	10/14/22	30	$25,000,000	$25,000,000	($200,190)	($2,061,627)	$22,738,182	$90.953	8.953%	$2,238,250	39
40	8.080%	Series E due Oct 2022	10/15/92	10/14/22	30	$26,000,000	$26,000,000	($208,198)	($2,938,981)	$22,852,821	$87.895	9.283%	$2,413,580	40
41	8.230%	Series E due Jan 2023	01/29/93	01/20/23	30	$4,000,000	$4,000,000	$51,229	($88,989)	$3,962,241	$99.056	8.316%	$332,640	41
42	8.230%	Series E due Jan 2023	01/20/93	01/20/23	30	$5,000,000	$5,000,000	($37,914)	($335,843)	$4,626,243	$92.525	8.951%	$447,550	42
43	**8.099%**	**Subtotal - Series E MTNs**			**30**		**$155,000,000**	**($1,227,725)**	**($16,164,025)**	**$137,608,250**		**9.210%**	**$14,275,770**	43
44														44
45	7.260%	Series F due Jul 2023	07/22/93	07/21/23	30	$11,000,000	$11,000,000	($100,622)	($589,062)	$10,310,316	$93.730	7.804%	$858,440	45
46	7.260%	Series F due Jul 2023	07/22/93	07/21/23	30	$27,000,000	$27,000,000	($246,981)	($1,445,880)	$25,307,139	$93.730	7.804%	$2,107,080	46
47	7.230%	Series F due Aug 2023	08/16/93	08/16/23	30	$15,000,000	$15,000,000	($137,211)	($268,624)	$14,594,165	$97.294	7.457%	$1,118,550	47
48	7.240%	Series F due Aug 2023	08/16/93	08/16/23	30	$30,000,000	$30,000,000	($274,423)	($537,248)	$29,188,329	$97.294	7.467%	$2,240,100	48
49	6.750%	Series F due Sep 2023	09/14/93	09/14/23	30	$2,000,000	$2,000,000	($15,300)	$0	$1,984,700	$99.235	6.810%	$136,200	49
50	6.720%	Series F due Sep 2023	09/14/93	09/14/23	30	$2,000,000	$2,000,000	($15,300)	$0	$1,984,700	$99.235	6.780%	$135,600	50
51	6.750%	Series F due Sep 2023	09/14/93	09/14/23	30	$5,000,000	$5,000,000	($38,250)	($34,169)	$4,927,581	$98.552	6.865%	$343,250	51
52	6.750%	Series F due Oct 2023	10/26/93	10/26/23	30	$12,000,000	$12,000,000	($91,396)	$0	$11,908,604	$99.238	6.810%	$817,200	52
53	6.750%	Series F due Oct 2023	10/26/93	10/26/23	30	$16,000,000	$16,000,000	($121,861)	$0	$15,878,139	$99.238	6.810%	$1,089,600	53
54	6.750%	Series F due Oct 2023	10/26/93	10/26/23	30	$20,000,000	$20,000,000	($152,326)	$0	$19,847,674	$99.238	6.810%	$1,362,000	54
55	**7.044%**	**Subtotal - Series F MTNs**			**30**		**$140,000,000**	**($1,193,670)**	**($2,874,983)**	**$135,931,347**		**7.291%**	**$10,208,020**	55

PACIFICORP
Electric Operations
Pro Forma Cost of Long Term Debt Detail
12 Months Ended June 30, 2015

LINE NO.	INTEREST RATE	DESCRIPTION	ISSUANCE DATE	MATURITY DATE	ORIG LIFE	PRINCIPAL AMOUNT ORIGINAL ISSUE	PRINCIPAL AMOUNT AVE OUTSTANDING	ISSUANCE EXPENSES	REDEMPTION EXPENSES	NET PROCEEDS TO COMPANY TOTAL DOLLAR AMOUNT	NET PROCEEDS TO COMPANY PER $100 PRINCIPAL AMOUNT	MONEY TO COMPANY	ANNUAL DEBT SERVICE COST	LINE NO.
	(a)	(b)	(c)	(d)	(e)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	
56														56
57	6.710%	Series G due Jan 2026	01/23/96	01/15/26	30	$100,000,000	$100,000,000	($904,467)	$0	$99,095,533	$99.096	6.781%	$6,781,000	57
58	**6.710%**	**Subtotal - Series G MTNs**			**30**		**$100,000,000**	**($904,467)**	**$0**	**$99,095,533**		**6.781%**	**$6,781,000**	58
59														59
60	**5.452%**	**Total First Mortgage Bonds**			**24**		**$6,574,902,800**	**($68,037,855)**	**($31,219,786)**	**$6,475,645,160**		**5.590%**	**$367,509,962**	60
61														61
62		**Pollution Control Revenue Bonds**												62
63	0.782%	Sweetwater 84 due Dec 2014	12/12/84	12/01/14	30	$15,000,000	$6,000,000	($91,155)	$0	$5,908,845	$98.481	0.839%	$50,340	63
64	1.549%	Lincoln 91 due Jan 2016	01/17/91	01/01/16	25	$45,000,000	$45,000,000	($771,836)	($2,578,602)	$41,649,562	$92.555	1.925%	$866,250	64
65	0.763%	Forsyth 86 due Dec 2016	12/29/86	12/01/16	30	$8,500,000	$8,500,000	($304,824)	$0	$8,195,176	$96.414	0.900%	$76,500	65
66	1.908%	Carbon 94 due Nov 2024	11/17/94	11/01/24	30	$9,365,000	$7,492,000	($165,216)	($46,859)	$7,279,925	$97.169	2.035%	$152,462	66
67	1.909%	Converse 94 due Nov 2024	11/17/94	11/01/24	30	$8,190,000	$8,190,000	($209,778)	($86,323)	$7,893,899	$96.385	2.071%	$169,615	67
68	1.942%	Emery 94 due Nov 2024	11/17/94	11/01/24	30	$121,940,000	$121,940,000	($3,274,246)	($1,925,767)	$116,739,987	$95.736	2.136%	$2,604,638	68
69	2.025%	Lincoln 94 due Nov 2024	11/17/94	11/01/24	30	$15,060,000	$15,060,000	($422,858)	($81,427)	$14,555,715	$96.651	2.177%	$327,856	69
70	1.909%	Sweetwater 94 due Nov 2024	11/17/94	11/01/24	30	$21,260,000	$21,260,000	($510,479)	($88,352)	$20,661,169	$97.183	2.034%	$432,428	70
71	0.667%	Converse 95 due Nov 2025	11/17/95	11/01/25	30	$5,300,000	$5,300,000	($132,043)	$0	$5,167,957	$97.509	0.760%	$40,280	71
72	0.760%	Lincoln 95 due Nov 2025	11/17/95	11/01/25	30	$22,000,000	$22,000,000	($404,262)	$0	$21,595,738	$98.162	0.829%	$182,380	72
73	**1.684%**	**Subtotal - Secured PCRBs**			**29**		**$260,742,000**	**($6,286,696)**	**($4,807,330)**	**$249,647,974**		**1.880%**	**$4,902,750**	73
74														74
75	1.263%	Sweetwater 90A due Jul 2015	07/25/90	07/01/15	25	$70,000,000	$70,000,000	($660,750)	($795,122)	$68,544,128	$97.920	1.362%	$953,400	75
76	1.859%	Emery 91 due Jul 2015	05/23/91	07/01/15	24	$45,000,000	$45,000,000	($872,505)	($2,568,859)	$41,558,636	$92.353	2.272%	$1,022,400	76
77	1.221%	Sweetwater 88A due Jan 2017	01/14/88	01/01/17	29	$50,000,000	$50,000,000	($422,443)	($882,101)	$48,695,456	$97.391	1.330%	$665,000	77
78	1.859%	Forsyth 88 due Jan 2018	01/14/88	01/01/18	30	$45,000,000	$45,000,000	($380,198)	($1,013,283)	$43,606,519	$96.903	1.997%	$898,650	78
79	1.167%	Gillette 88 due Jan 2018	01/14/88	01/01/18	30	$41,200,000	$41,200,000	($351,905)	($1,006,013)	$39,842,082	$96.704	1.300%	$535,600	79
80	1.219%	Converse 92 due Dec 2020	09/29/92	12/01/20	28	$22,485,000	$22,485,000	($242,164)	($303,303)	$21,939,533	$97.574	1.322%	$297,252	80
81	1.219%	Sweetwater 92A due Dec 2020	09/29/92	12/01/20	28	$9,335,000	$9,335,000	($167,524)	($134,094)	$9,033,382	$96.769	1.357%	$126,676	81
82	1.219%	Sweetwater 92B due Dec 2020	09/29/92	12/01/20	28	$6,305,000	$6,305,000	($151,908)	($97,735)	$6,055,357	$96.041	1.389%	$87,576	82
83	1.259%	Sweetwater 95 due Nov 2025	12/14/95	11/01/25	30	$24,400,000	$24,400,000	($225,000)	($428,469)	$23,746,531	$97.322	1.368%	$333,792	83
84	**1.409%**	**Subtotal - Unsecured PCRBs**			**28**		**$313,725,000**	**($3,474,397)**	**($7,228,979)**	**$303,021,624**		**1.568%**	**$4,920,346**	84
85														85
86	**1.534%**	**Total PCRB Obligations**			**28**		**$574,467,000**	**($9,761,092)**	**($12,036,309)**	**$552,669,599**		**1.710%**	**$9,823,096**	86
87														87
88			**REACQ**	**ORG MAT**										88
89			**DATE**	**DATE**										89
90		8.375% Series A QUIDS	11/17/00	06/30/35									$107,887	90
91		8.55% Series B QUIDS	11/17/00	12/31/25									$84,084	91
92		**Long-Term Debt Reacquisition, without refunding amortization**											**$191,971**	92
93														93
94	**5.137%**	**Total Long-Term Debt**			**24**		**$7,149,369,800**	**($77,798,947)**	**($43,256,095)**	**$7,028,314,758**		**5.281%**	**$377,525,029**	94
95														95
96														96

Rocky Mountain Power
Exhibit RMP___(BNW-12)
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Bruce N. Williams

S&P Methodology For Imputing Debt For U.S. Utilities' PPAs

January 2014

STANDARD & POOR'S

RATINGSDIRECT®

May 7, 2007

Criteria | Corporates | Utilities:

Standard & Poor's Methodology For Imputing Debt For U.S. Utilities' Power Purchase Agreements

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Criteria | Corporates | Utilities:

Standard & Poor's Methodology For Imputing Debt For U.S. Utilities' Power Purchase Agreements

For many years, Standard & Poor's Ratings Services has viewed power supply agreements (PPA) in the U.S. utility sector as creating fixed, debt-like, financial obligations that represent substitutes for debt-financed capital investments in generation capacity. In a sense, a utility that has entered into a PPA has contracted with a supplier to make the financial investment on its behalf. Consequently, PPA fixed obligations, in the form of capacity payments, merit inclusion in a utility's financial metrics as though they are part of a utility's permanent capital structure and are incorporated in our assessment of a utility's creditworthiness.

We adjust utilities' financial metrics, incorporating PPA fixed obligations, so that we can compare companies that finance and build generation capacity and those that purchase capacity to satisfy customer needs. The analytical goal of our financial adjustments for PPAs is to reflect fixed obligations in a way that depicts the credit exposure that is added by PPAs. That said, PPAs also benefit utilities that enter into contracts with suppliers because PPAs will typically shift various risks to the suppliers, such as construction risk and most of the operating risk. PPAs can also provide utilities with asset diversity that might not have been achievable through self-build. The principal risk borne by a utility that relies on PPAs is the recovery of the financial obligation in rates.

The Mechanics Of PPA Debt Imputation

A starting point for calculating the debt to be imputed for PPA-related fixed obligations can be found among the "commitments and contingencies" in the notes to a utility's financial statements. We calculate a net present value (NPV) of the stream of the outstanding contracts' capacity payments reported in the financial statements as the foundation of our financial adjustments.

The notes to the financial statements enumerate capacity payments for the five years succeeding the annual report and a "thereafter" period. While we have access to proprietary forecasts that show the detail underlying the costs that are amalgamated beyond the five-year horizon, others, for purposes of calculating an NPV, can divide the amount reported as "thereafter" by the average of the capacity payments in the preceding five years to derive an approximate tenor of the amounts combined as the sum of the obligations beyond the fifth year.

In calculating debt equivalents, we also include new contracts that will commence during the forecast period. Such contracts aren't reflected in the notes to the financial statements, but relevant information regarding these contracts are provided to us on a confidential basis. If a contract has been executed but the energy will not flow until some later period, we won't impute debt for that contract until the year that energy deliveries begin under the contract if the contract represents incremental capacity. However, to the extent that the contract will simply replace an expiring contract, we will impute debt as though the future contract is a continuation of the existing contract.

We calculate the NPV of capacity payments using a discount rate equivalent to the company's average cost of debt, net of securitization debt. Once we arrive at the NPV, we apply a risk factor, as is discussed below, to reflect the benefits of regulatory or legislative cost recovery mechanisms.

Balance sheet debt is increased by the risk-factor-adjusted NPV of the stream of capacity payments. We derive an adjusted debt-to-capitalization ratio by adding the adjusted NPV to both the numerator and the denominator of that ratio.

We calculate an implied interest expense for the imputed debt by multiplying the same utility average cost of debt used as the discount rate in the NPV calculation by the amount of imputed debt. The adjusted FFO-to-interest expense ratio is calculated by adding the implied interest expense to both the numerator and denominator of the equation. We also add implied depreciation to the equation's numerator. We calculate the adjusted FFO-to-total-debt ratio by adding imputed debt to the equation's denominator and an implied depreciation expense to its numerator.

Our adjusted cash flow credit metrics include a depreciation expense adjustment to FFO. This adjustment represents a vehicle for capturing the ownership-like attributes of the contracted asset and tempers the effects of imputation on the cash flow ratios. We derive the depreciation expense adjustment by multiplying the relevant year's capacity payment obligation by the risk factor and then subtracting the implied PPA-related interest expense for that year from the product of the risk factor times the scheduled capacity payment.

Risk Factors

The NPVs that Standard & Poor's calculates to adjust reported financial metrics to capture PPA capacity payments are multiplied by risk factors. These risk factors typically range between 0% to 50%, but can be as high as 100%. Risk factors are inversely related to the strength and availability of regulatory or legislative vehicles for the recovery of the capacity costs associated with power supply arrangements. The strongest recovery mechanisms translate into the smallest risk factors. A 100% risk factor would signify that all risk related to contractual obligations rests on the company with no mitigating regulatory or legislative support.

For example, an unregulated energy company that has entered into a tolling arrangement with a third-party supplier would be assigned a 100% risk factor. Conversely, a 0% risk factor indicates that the burden of the contractual payments rests solely with ratepayers. This type of arrangement is frequently found among regulated utilities that act as conduits for the delivery of a third party's electricity and essentially deliver power, collect charges, and remit revenues to the suppliers. These utilities have typically been directed to sell all their generation assets, are barred from developing new generation assets, and the power supplied to their customers is sourced through a state auction or third parties, leaving the utilities to act as intermediaries between retail customers and the electricity suppliers.

Intermediate degrees of recovery risk are presented by a number of regulatory and legislative mechanisms. For example, some regulators use a utility's rate case to establish base rates that provide for the recovery of the fixed costs created by PPAs. Although we see this type of mechanism as generally supportive of credit quality, the fact remains that the utility will need to litigate the right to recover costs and the prudence of PPA capacity payments in successive rate cases to ensure ongoing recovery of its fixed costs. For such a PPA, we employ a 50% risk factor. In cases where a regulator has established a power cost adjustment mechanism that recovers all prudent PPA costs, we employ a risk factor of 25% because the recovery hurdle is lower than it is for a utility that must litigate time and again its right to recover costs.

We recognize that there are certain jurisdictions that have true-up mechanisms that are more favorable and frequent than the review of base rates, but still don't amount to pure pass-through mechanisms. Some of these mechanisms

Rocky Mountain Power
Exhibit RMP___(BNW-12) Page 4 of 7
Docket No. 13-035-184
Witness: Bruce N. Williams

are triggered when certain financial thresholds are met or after prescribed periods of time have passed. In these instances, in calculating adjusted ratios, we will employ a risk factor between the revised 25% risk factors for utilities with power cost adjustment mechanisms and 50%.

Finally, we view legislatively created cost recovery mechanisms as longer lasting and more resilient to change than regulatory cost recovery vehicles. Consequently, such mechanisms lead to risk factors between 0% and 15%, depending on the legislative provisions for cost recovery and the supply function borne by the utility. Legislative guarantees of complete and timely recovery of costs are particularly important to achieving the lowest risk factors.

Illustration Of The PPA Adjustment Methodology

The calculations of the debt equivalents, implied interest expense, depreciation expense, and adjusted financial metrics, using risk factors, are illustrated in the following example:

Example Of Power-Purchase Agreement Adjustment

($000s)	Assumption	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Cash from operations	2,000,000						
Funds from operations	1,500,000						
Interest expense	444,000						
Directly issued debt							
Short-term debt	600,000						
Long-term due within one year	300,000						
Long-term debt	6,500,000						
Shareholder's Equity	6,000,000						
Fixed capacity commitments	600,000	600,000	600,000	600,000	600,000	600,000	4,200,000*
NPV of fixed capacity commitments							
Using a 6.0% discount rate	5,030,306						
Application of an assumed 25% risk factor	1,257,577						
Implied interest expense¶	75,455						
Implied depreciation expense	74,545						
Unadjusted ratios							
FFO to interest (x)	4.4						
FFO to total Debt (%)	20.0						
Debt to capitalization (%)	55.0						
Ratios adjusted for debt imputation							
FFO to interest (x)§	4.0						
FFO to total debt (%)**	18.0						
Debt to capitalization (%)¶¶	59.0						

*Thereafter approximate years: 7. ¶The current year's implied interest is subtracted from the product of the risk factor multiplied by the current year's capacity payment. §Adds implied interest to the numerator and denominator and adds implied depreciation to FFO. **Adds implied depreciation expense to FFO and implied debt to reported debt. ¶¶Adds implied debt to both the numerator and the denominator. FFO--Funds from operations. NPV--Net present value.

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Docket No. 13-035-184
Witness: Bruce N. Williams

Short-Term Contracts

Standard & Poor's has abandoned its historical practice of not imputing debt for contracts with terms of three years or less. However, we understand that there are some utilities that use short-term PPAs of approximately one year or less as gap fillers pending the construction of new capacity. To the extent that such short-term supply arrangements represent a nominal percentage of demand and serve the purposes described above, we will neither impute debt for such contracts nor provide evergreen treatment to such contracts.

Evergreen Treatment

The NPV of the fixed obligations associated with a portfolio of short-term or intermediate-term contracts can lead to distortions in a utility's financial profile relative to the NPV of the fixed obligations of a utility with a portfolio of PPAs that is made up of longer-term commitments. Where there is the potential for such distortions, rating committees will consider evergreen treatment of existing PPA obligations as a scenario for inclusion in the rating analysis. Evergreen treatment extends the tenor of short- and intermediate-term contracts to reflect the long-term obligation of electric utilities to meet their customers' demand for electricity.

While we have concluded that there is a limited pool of utilities whose portfolios of existing and projected PPAs don't meaningfully correspond to long-term load serving obligations, we will nevertheless apply evergreen treatment in those cases where the portfolio of existing and projected PPAs is inconsistent with long-term load-serving obligations. A blanket application of evergreen treatment is not warranted.

To provide evergreen treatment, Standard & Poor's starts by looking at the tenor of outstanding PPAs. Others can look to the "commitments and contingencies" in the notes to a utility's financial statements to derive an approximate tenor of the contracts. If we conclude that the duration of PPAs is short relative to our targeted tenor, we would then add capacity payments until the targeted tenor is achieved. Based on our analysis of several companies, we have determined that the evergreen extension of the tenor of existing contracts and anticipated contracts should extend contracts to a common length of about 12 years.

The price for the capacity that we add will be derived from new peaker entry economics. We use empirical data to establish the cost of developing new peaking capacity and reflect regional differences in our analysis. The cost of new capacity is translated into a dollars per kilowatt-year (kW-year) figure using a weighted average cost of capital for the utility and a proxy capital recovery period.

Analytical Treatment Of Contracts With All-In Energy Prices

The pricing for some PPA contracts is stated as a single, all-in energy price. Standard & Poor's considers an implied capacity price that funds the recovery of the supplier's capital investment to be subsumed within the all-in energy price. Consequently, we use a proxy capacity charge, stated in $/kW, to calculate an implied capacity payment associated with the PPA. The $/kW figure is multiplied by the number of kilowatts under contract. In cases of resources such as wind power that exhibit very low capacity factors, we will adjust the kilowatts under contract to reflect the anticipated capacity factor that the resource is expected to achieve.

We derive the proxy cost of capacity using empirical data evidencing the cost of developing new peaking capacity.

We will reflect regional differences in our analysis. The cost of new capacity is translated into a $/kW figure using a weighted average cost of capital and a proxy capital recovery period. This number will be updated from time to time to reflect prevailing costs for the development and financing of the marginal unit, a combustion turbine.

Transmission Arrangements

In recent years, some utilities have entered into long-term transmission contracts in lieu of building generation. In some cases, these contracts provide access to specific power plants, while other transmission arrangements provide access to competitive wholesale electricity markets. We have concluded that these types of transmission arrangements represent extensions of the power plants to which they are connected or the markets that they serve. Irrespective of whether these transmission lines are integral to the delivery of power from a specific plant or are conduits to wholesale markets, we view these arrangements as exhibiting very strong parallels to PPAs as a substitute for investment in power plants. Consequently, we will impute debt for the fixed costs associated with long-term transmission contracts.

PPAs Treated As Leases

Several utilities have reported that their accountants dictate that certain PPAs need to be treated as leases for accounting purposes due to the tenor of the PPA or the residual value of the asset upon the PPA's expiration. We have consistently taken the position that companies should identify those capacity charges that are subject to operating lease treatment in the financial statements so that we can accord PPA treatment to those obligations, in lieu of lease treatment. That is, PPAs that receive operating lease treatment for accounting purposes won't be subject to a 100% risk factor for analytical purposes as though they were leases. Rather, the NPV of the stream of capacity payments associated with these PPAs will be reduced by the risk factor that is applied to the utility's other PPA commitments. PPAs that are treated as capital leases for accounting purposes will not receive PPA treatment because capital lease treatment indicates that the plant under contract economically "belongs" to the utility.

Evaluating The Effect Of PPAs

Though history is on the side of full cost recovery, PPAs nevertheless add financial obligations that heighten financial risk. Yet, we apply risk factors that reduce debt imputation to recognize that utilities that rely on PPAs transfer significant risks to ratepayers and suppliers.

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Rocky Mountain Power
Exhibit RMP___(BNW-13)
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Bruce N. Williams

Indicative Forward PCRB Variable Rates

January 2014

Indicative Forward PCRB Variable Rates
For Quarter End Periods for Year Ending June 30, 2015

	30 Day LIBOR Daily Ave	Floating Rate PCRBs Daily Ave	PCRB / LIBOR
	(a)	(b)	(b)/(a)
Jan-00	5.81%	3.33%	57%
Feb-00	5.89%	3.62%	62%
Mar-00	6.05%	3.68%	61%
Apr-00	6.16%	4.02%	65%
May-00	6.54%	4.89%	75%
Jun-00	6.65%	4.35%	65%
Jul-00	6.63%	3.99%	60%
Aug-00	6.62%	4.09%	62%
Sep-00	6.62%	4.50%	68%
Oct-00	6.62%	4.36%	66%
Nov-00	6.63%	4.33%	65%
Dec-00	6.68%	4.14%	62%
Jan-01	5.88%	3.10%	53%
Feb-01	5.53%	3.59%	65%
Mar-01	5.13%	3.18%	62%
Apr-01	4.82%	3.72%	77%
May-01	4.16%	3.38%	81%
Jun-01	3.92%	3.03%	77%
Jul-01	3.82%	2.65%	69%
Aug-01	3.64%	2.36%	65%
Sep-01	3.17%	2.42%	76%
Oct-01	2.48%	2.18%	88%
Nov-01	2.13%	1.79%	84%
Dec-01	1.96%	1.64%	84%
Jan-02	1.81%	1.49%	82%
Feb-02	1.85%	1.39%	75%
Mar-02	1.89%	1.46%	77%
Apr-02	1.86%	1.58%	85%
May-02	1.84%	1.67%	91%
Jun-02	1.84%	1.58%	86%
Jul-02	1.83%	1.49%	81%
Aug-02	1.80%	1.49%	83%
Sep-02	1.82%	1.69%	93%
Oct-02	1.81%	1.84%	102%
Nov-02	1.44%	1.66%	115%
Dec-02	1.42%	1.57%	110%
Jan-03	1.36%	1.40%	103%
Feb-03	1.34%	1.43%	107%
Mar-03	1.31%	1.45%	111%
Apr-03	1.31%	1.52%	115%
May-03	1.31%	1.56%	119%
Jun-03	1.16%	1.38%	119%
Jul-03	1.11%	1.12%	102%
Aug-03	1.11%	1.16%	104%
Sep-03	1.12%	1.24%	111%
Oct-03	1.12%	1.24%	111%
Nov-03	1.13%	1.36%	121%
Dec-03	1.15%	1.32%	114%
Jan-04	1.11%	1.21%	110%
Feb-04	1.10%	1.17%	107%
Mar-04	1.09%	1.20%	110%
Apr-04	1.10%	1.27%	115%
May-04	1.10%	1.29%	117%
Jun-04	1.25%	1.28%	102%
Jul-04	1.41%	1.26%	89%
Aug-04	1.60%	1.40%	88%
Sep-04	1.78%	1.49%	83%
Oct-04	1.90%	1.72%	91%
Nov-04	2.19%	1.65%	75%
Dec-04	2.39%	1.67%	70%
Jan-05	2.49%	1.78%	72%
Feb-05	2.61%	1.88%	72%
Mar-05	2.81%	1.95%	69%
Apr-05	2.97%	2.50%	84%
May-05	3.09%	2.93%	95%

Indicative Forward PCRB Variable Rates
For Quarter End Periods for Year Ending June 30, 2015

	30 Day LIBOR Daily Ave	Floating Rate PCRBs Daily Ave	PCRB / LIBOR
	(a)	(b)	(b)/(a)
Jun-05	3.25%	2.39%	74%
Jul-05	3.43%	2.28%	67%
Aug-05	3.69%	2.44%	66%
Sep-05	3.78%	2.55%	68%
Oct-05	3.99%	2.66%	67%
Nov-05	4.15%	2.93%	71%
Dec-05	4.36%	3.10%	71%
Jan-06	4.48%	3.02%	67%
Feb-06	4.58%	3.13%	68%
Mar-06	4.76%	3.11%	65%
Apr-06	4.92%	3.45%	70%
May-06	5.08%	3.52%	69%
Jun-06	5.24%	3.74%	71%
Jul-06	5.37%	3.60%	67%
Aug-06	5.35%	3.53%	66%
Sep-06	5.33%	3.61%	68%
Oct-06	5.32%	3.57%	67%
Nov-06	5.32%	3.62%	68%
Dec-06	5.35%	3.70%	69%
Jan-07	5.32%	3.64%	68%
Feb-07	5.32%	3.63%	68%
Mar-07	5.32%	3.64%	68%
Apr-07	5.32%	3.79%	71%
May-07	5.32%	3.90%	73%
Jun-07	5.32%	3.76%	71%
Jul-07	5.32%	3.66%	69%
Aug-07	5.52%	3.76%	68%
Sep-07	5.48%	3.84%	70%
Oct-07	4.98%	3.56%	72%
Nov-07	4.75%	3.53%	74%
Dec-07	5.00%	3.25%	65%
Jan-08	3.95%	3.02%	76%
Feb-08	3.14%	2.86%	91%
Mar-08	2.80%	3.79%	135%
Apr-08	2.79%	2.23%	80%
May-08	2.63%	1.93%	73%
Jun-08	2.47%	2.77%	112%
Jul-08	2.46%	4.12%	168%
Aug-08	2.47%	3.03%	123%
Sep-08	2.94%	4.57%	155%
Oct-08	3.87%	4.89%	126%
Nov-08	1.68%	2.34%	139%
Dec-08	1.01%	1.02%	101%
Jan-09	0.39%	0.70%	181%
Feb-09	0.46%	0.68%	147%
Mar-09	0.53%	0.66%	124%
Apr-09	0.45%	0.63%	140%
May-09	0.35%	0.53%	153%
Jun-09	0.32%	0.45%	143%
Jul-09	0.29%	0.41%	142%
Aug-09	0.27%	0.43%	158%
Sep-09	0.25%	0.40%	161%
Oct-09	0.24%	0.39%	159%
Nov-09	0.24%	0.37%	157%
Dec-09	0.23%	0.38%	165%
Jan-10	0.23%	0.32%	138%
Feb-10	0.23%	0.32%	137%
Mar-10	0.24%	0.32%	135%
Apr-10	0.26%	0.35%	134%
May-10	0.33%	0.34%	101%
Jun-10	0.35%	0.33%	93%
Jul-10	0.33%	0.30%	90%
Aug-10	0.27%	0.31%	115%
Sep-10	0.26%	0.31%	119%
Oct-10	0.26%	0.27%	106%

Indicative Forward PCRB Variable Rates
For Quarter End Periods for Year Ending June 30, 2015

	30 Day LIBOR Daily Ave	Floating Rate PCRBs Daily Ave	PCRB / LIBOR
	(a)	(b)	(b)/(a)
Nov-10	0.25%	0.27%	107%
Dec-10	0.26%	0.29%	110%
Jan-11	0.26%	0.26%	100%
Feb-11	0.26%	0.26%	98%
Mar-11	0.25%	0.24%	96%
Apr-11	0.22%	0.24%	106%
May-11	0.20%	0.20%	100%
Jun-11	0.19%	0.12%	62%
Jul-11	0.19%	0.07%	38%
Aug-11	0.21%	0.18%	83%
Sep-11	0.23%	0.18%	78%
Oct-11	0.24%	0.17%	69%
Nov-11	0.25%	0.18%	70%
Dec-11	0.28%	0.18%	62%
Jan-12	0.28%	0.18%	64%
Feb-12	0.25%	0.22%	86%
Mar-12	0.24%	0.20%	84%
Apr-12	0.24%	0.25%	104%
May-12	0.24%	0.22%	90%
Jun-12	0.24%	0.19%	78%
Jul-12	0.25%	0.17%	68%
Aug-12	0.24%	0.16%	68%
Sep-12	0.22%	0.18%	81%
Oct-12	0.21%	0.20%	93%
Nov-12	0.21%	0.20%	95%
Dec-12	0.21%	0.15%	71%
Jan-13	0.21%	0.10%	51%
Feb-13	0.20%	0.13%	63%
Mar-13	0.20%	0.13%	66%
Apr-13	0.20%	0.18%	92%
May-13	0.20%	0.18%	90%
Jun-13	0.19%	0.11%	57%
Jul-13	0.19%	0.08%	43%
Aug-13	0.18%	0.09%	47%
Sep-13	0.18%	0.09%	49%
Oct-13	0.17%	0.10%	61%
Average			90%

	Forward 30 Day LIBOR* (1)	Historical Floating Rate PCRB / 30 Day LIBOR (2)	Forecast Floating Rate PCRB (1) * (2)
6/30/2014	0.24%	90%	0.220%
9/30/2014	0.27%	90%	0.242%
12/31/2014	0.36%	90%	0.320%
3/31/2015	0.44%	90%	0.394%
6/30/2015	0.53%	90%	0.475%

* Source: Bloomberg L.P. (11/13/13)

Rocky Mountain Power
Exhibit RMP___(BNW-14)
Docket No. 13-035-184
Witness: Bruce N. Williams

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Bruce N. Williams

Cost of Preferred Stock

January 2014

PACIFICORP
Electric Operations
Cost of Preferred Stock
12 Months Ended June 30, 2015

Line No.	Description of Issue (1)	Issuance Date (2)	Call Price (3)	Annual Dividend Rate (4)	Shares O/S (5)	Total Par or Stated Value O/S (6)	Net Premium & (Expense) (7)	Net Proceeds to Company (8)	% of Gross Proceeds (9)	Cost of Money (10)	Annual Cost (11)	Line No.
1	**Serial Preferred, $100 Par Value**											1
2	7.00% Series	(a)	None	7.000%	18,046	$1,804,600	(b)	$1,804,600	100.000%	7.000%	$126,322	2
3	6.00% Series	(a)	None	6.000%	5,930	$593,000	(b)	$593,000	100.000%	6.000%	$35,580	3
4												4
5	**Total Cost of Preferred Stock**			**6.753%**	**23,976**	**$2,397,600**	**$0**	**$2,397,600**		**6.753%**	**$161,902**	5
6												6
7												7
8	(a) These issues replaced an issue of The California Oregon Power Company as a result of the merger of that Company into Pacific Power & Light Co.											8
9	(b) Original issue expense/premium has been fully amortized or expensed.											9
10												10