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.

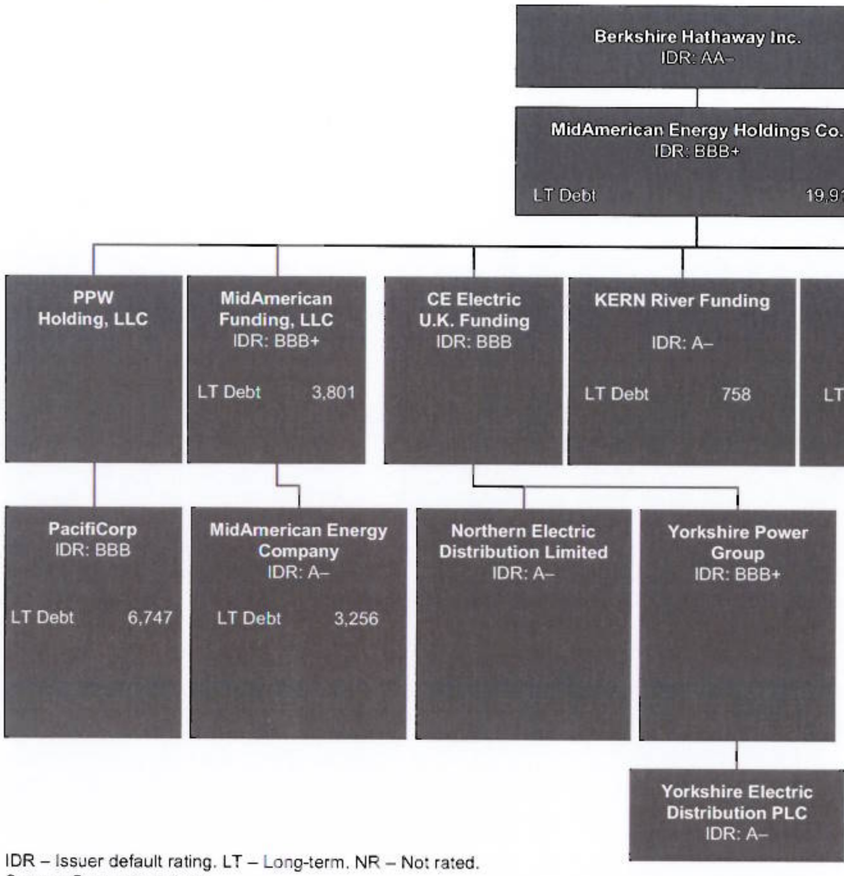
The ECA may be used at the request of MEHC for the purpose of paying MEHC debt obligations when due, and funding the general corporate purposes and capital requirements of MEHC's regulated subsidiaries.

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.