

Case No. PAC-E-05-1
Exhibit No. 13
Witness: Daniel J. Rosborough

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

PACIFICORP

Exhibit Accompanying Direct Testimony of Daniel J. Rosborough

Hewitt Associates LLC – Actuarial Report

January 2005



Hewitt Associates LLC

Actuarial Report

PacifiCorp Retirement Plan

As of January 1, 2004

Argentina	China	India	Philippines	Spain
Australia	Czech Republic	Ireland	Poland	Sweden
Austria	Dominican Republic	Italy	Portugal	Switzerland
Belgium	France	Japan	Puerto Rico	Thailand
Brazil	Germany	Malaysia	Singapore	United Kingdom
Canada	Greece	Mauritius	Slovenia	United States
Channel Islands	Hong Kong	Mexico	South Africa	Venezuela
Chile	Hungary	Netherlands	South Korea	

To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Hewitt Associates LLC.

Preparation of this Actuarial Valuation

As of January 1, 2004 for **PacifiCorp Retirement Plan**

This report has been prepared for PacifiCorp and summarizes the results of the funding valuation for the plan year and the accounting and reporting requirements for the 2005 fiscal year for pension benefits as set forth in FASB Statement of Financial Accounting Standard No. 87 as amended ("SFAS No. 87") and No. 88 as amended ("SFAS No. 88"). In addition, this material is intended to serve as a source document for information to meet certain accounting or government filing requirements. Determinations for purposes other than the funding valuation and financial accounting requirements may be significantly different from the results reported herein. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by PacifiCorp as of the valuation date. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the applicable laws and regulations under IRC sections 404 and 412, and our understanding of the requirements of SFAS Nos. 87 and 88. The accounting information in this report is not intended to supersede or supplant the advice and interpretations of the Company's auditors.

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions section of this report.

- For the funding valuation, the interest rate and mortality table used to measure current liability are prescribed by IRC section 412. It is our belief that all other actuarial assumptions used for the funding valuation represent reasonable expectations of anticipated plan experience.
- PacifiCorp selected the economic assumptions and prescribed them for use for purposes of compliance with SFAS No. 87 and SFAS No. 88. While the demographic assumptions were also prescribed by PacifiCorp, Hewitt Associates provided guidance with respect to these assumptions and it is our belief that they represent reasonable expectations of anticipated plan experience.

The undersigned are familiar with the near-term and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

Hewitt Associates LLC

Albert A. Kopec Jr., Enrolled Actuary
Fellow of the Society of Actuaries

Daniel S. Watts, Enrolled Actuary
Member of the American Academy of Actuaries

December 2004

Table of Contents

	Page
Summary	1
Assets and Liabilities	3
Contributions	10
Experience	21
Accounting Requirements	23
Personnel Information	27
Plan Provisions	35
Actuarial Assumptions	42

Summary

The following summary presents a comparison of liabilities, assets, and contributions from the 2003 actuarial valuation with the results of the January 1, 2004 valuation:

	January 1, 2003	Before Amendments January 1, 2004	After Amendments January 1, 2004
Funding Requirements			
Actuarial Accrued Liability			
Actives and Transfers	\$ 344,032,026	\$ 378,388,669	\$ 379,168,308
Vested Terminations	70,069,212	71,461,235	71,461,235
Retirees and Beneficiaries	594,872,666	551,651,223	551,651,223
Total	\$ 1,008,973,904	\$ 1,001,501,127	\$ 1,002,280,766
Valuation Assets	\$ 853,551,122	\$ 889,398,489	\$ 889,398,489
Unfunded Actuarial Liability	\$ 155,422,782	\$ 112,102,638	\$ 112,882,277
Annual Normal Cost	\$ 16,124,685	\$ 17,131,150	\$ 17,194,723
Actuarial Loss (Gain)	\$ N/A	\$ (11,613,476)	\$ N/A
Contributions as of 12/31			
Minimum Required	\$ 11,500,133	N/A	\$ 6,163,492
Maximum Deductible	\$ 174,277,373	N/A	\$ 145,915,674
Funding Policy	\$ 61,555,151	N/A	\$ 59,997,387
Interest Rate	8.0%	8.0%	8.0%
Salary Scale	5.0%	5.0%	5.0%
Mortality	83GAM	83GAM	83GAM
Value of Accrued Benefits			
Value of All Accrued Benefits	\$ 887,587,739	\$ 878,984,332	\$ 879,005,493
Value of All Vested Accrued Benefits	\$ 871,865,711	\$ 862,241,921	\$ 862,260,640
Market Value of Assets	\$ 711,292,602	\$ 800,645,958	\$ 800,645,958
Interest Rate	8.0%	8.0%	8.0%
Personnel Summary			
Number of:			
Actives	4,325	4,521	4,521
Vested Terminations	1,224	1,344	1,344
Retirees and Beneficiaries	4,407	4,254	4,254
Total	9,956	10,119	10,119
Characteristics of Active Participants			
Average Age	45.9	46.4	46.4
Average Service	15.5	15.7	15.7
Compensation			
Total	\$ 284,667,452	\$ 314,691,126	\$ 314,691,126
Average	\$ 65,819	\$ 69,607	\$ 69,607

Summary (continued)

	Disclosure Results as of March 31, 2003	Disclosure Results as of March 31, 2004
Accounting Requirements¹		
Disclosure for Fiscal Year	2003	2004
Accumulated Benefit Obligation	\$ 1,020,323,000	\$ 1,047,900,000
Projected Benefit Obligation	\$ 1,107,611,000	\$ 1,181,706,000
Market Value of Assets ²	\$ 681,241,000	\$ 733,243,000
Funded Status	\$ (426,370,000)	\$ (448,463,000)
Expense for Fiscal Year	2004	2005
Service Cost	\$ 19,300,000	\$ 24,900,000
FAS 87 Expense	\$ 18,906,000	\$ 35,775,000
Discount Rate Assumption	6.75%	6.25%
Salary Increase Rate	4.00%	4.00%
Expected Long-Term Rate of Return	8.75%	8.75%

¹ The Accounting Requirements Section provides detailed information relative to the disclosure requirements under FASB Statement Nos. 87 and 132.

² Excludes contributions accrued but not yet paid.

Assets and Liabilities

The results of the January 1, 2004 actuarial valuation are set forth below. For your reference, results of the January 1, 2003 actuarial valuation are also shown.

	January 1, 2003	January 1, 2004	
		Before Amendments	After Amendments ¹
Funding Basis			
Actuarial Accrued Liability			
Actives and Transfers	\$ 344,032,026	\$ 378,388,669	\$ 379,168,308
Vested Terminations	70,069,212	71,461,235	71,461,235
Retirees and Beneficiaries	594,872,666	551,651,223	551,651,223
Total	<u>\$ 1,008,973,904</u>	<u>\$ 1,001,501,127</u>	<u>\$ 1,002,280,766</u>
Valuation Assets	<u>853,551,122</u>	<u>889,398,489</u>	<u>889,398,489</u>
Unfunded Actuarial Liability	\$ 155,422,782	\$ 112,102,638	\$ 112,882,277
Annual Normal Cost	\$ 16,124,685	\$ 17,131,150	\$ 17,194,723
As a Percent of Compensation	5.43%	5.35%	5.37%
Interest Rate	8.00%	8.00%	8.00%
Salary Scale	5.00%	5.00%	5.00%
Mortality	83GAM	83GAM	83GAM
Personnel Information			
Number of:			
Actives	4,325	4,521	4,521
Vested Terminations	1,224	1,344	1,344
Retirees and Beneficiaries	4,407	4,254	4,254
Total	<u>9,956</u>	<u>10,119</u>	<u>10,119</u>
Valuation Compensation	\$ 296,988,646	\$ 320,041,673	\$ 320,201,382

¹ Liabilities for active participants increased because the IRC section 401(a)(17) pay limit increased from \$200,000 to \$205,000.

Assets and Liabilities (continued)

Determination of Valuation Assets, 1/1/2004

(1) Market Value, 1/1/2003		\$	711,292,602
(2) Contribution Made for 2003 Plan Year			61,555,151
(3) Benefit Payments During 2003 Plan Year			(107,794,803)
(4) Asset transfer to the PacifiCorp/IBEW Local Union 57 Retirement Trust Fund, 10/31/2003			(470,285)
(5) Interest at 8.0% to 12/31/2003 on:			
(a) Market Value of Assets (Item 1)	\$	56,903,408	
(b) Company Contributions (Item 2)		0	
(c) Benefit Payments (Item 3)		(3,952,476)	
(d) Asset transfer (Item 4)		<u>(6,270)</u>	
(e) Total, (a) + (b) + (c) + (d)			\$ <u>52,944,662</u>
(6) Expected Market Value, 1/1/2004 (1) + (2) + (3) + (4) + (5)		\$	717,527,327
(7) Actual Market Value With Accrued Contributions, 1/1/2004			<u>800,645,958</u>
(8) Asset Gain/(Loss), (7) – (6)		\$	83,118,631
(9) Amount of Asset Gain/(Loss) Deferred			
(a) 20% of 2000 Gain/(Loss) of \$(97,709,791)	\$	(19,541,958)	
(b) 40% of 2001 Gain/(Loss) of \$(155,938,814)		(62,375,526)	
(c) 60% of 2002 Gain/(Loss) of \$(122,216,587)		(73,329,952)	
(d) 80% of 2003 Gain/(Loss) of \$83,118,631		<u>66,494,905</u>	
(e) Total			\$ (88,752,531)
(10) Actuarial Value of Assets Before Corridor Test, 1/1/2004, (7) – (9)		\$	889,398,489
(11) Corridor Test			
(a) 80% of Market Value	\$	640,516,766	
(b) 120% of Market Value	\$	960,775,150	
(12) Actuarial Value of Assets After Corridor Test, 1/1/2004		\$	889,398,489

Assets and Liabilities (continued)

Statement of Change in Fund Assets

Market Value of Assets, 1/1/2003	\$ 711,292,602
Contribution Made for 2003 Plan Year	61,555,151
Benefit Payments	(107,794,803)
Trustee and Administrative Expenses	(3,206,560)
Asset Transfer to Another Pension Plan	(470,285)
Net Investment Income	<u>139,269,853</u>
Market Value of Assets, 1/1/2004	\$ 800,645,958

Components of Market Value of Assets

	January 1, 2003	January 1, 2004
Investment in Master Retirement Trust	\$ 677,844,021	\$ 739,090,807
Accrued Contributions	<u>33,448,581</u>	<u>61,555,151</u>
Market Value of Assets	\$ 711,292,602	\$ 800,645,958

Assets and Liabilities (continued)

Current Liability

Current liability equals the present value of all accrued benefits, measured using an interest rate that satisfies two requirements:

- The interest rate lies within the permissible range, and
- The interest rate reflects annuity purchase rates that would be used by insurance companies to satisfy the liabilities of the plan upon termination.

The Internal Revenue Service has stated in IRS Notice 90-11 that the second requirement will be deemed to be satisfied (until the Service provides further guidance) if the interest rate lies within the permissible range.

The Pension Funding Equity Act of 2004 changed the permissible range for 2004 and 2005 so it is now expressed in terms of a percentage of the four-year weighted average of corporate bond rates. The permissible range for RPA '94 current liability calculations (the Retirement Protection Act of 1994) is shown below:

	RPA '94
Applicable 4-Year Weighted Average Rate	6.55%
Permissible Corridor Percentages	5.89% to 6.55% (90% to 100%)

Interest Rate Used	6.55%
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(1) Current Liability, as of January 1, 2004	
Actives and Transfers	\$ 298,049,429
Retirees and Beneficiaries	609,939,324
Vested Terminations	67,747,360
Total	<u>\$ 975,736,113</u>
(2) Current Year Accrual	\$ 25,958,902

Assets and Liabilities (continued)

Accrued Benefit Values

This section presents the results of a separate valuation of the plan's obligations based only on benefits accrued as of the valuation date of January 1, 2004. The focus of this valuation differs from the calculation of ongoing funding requirements which anticipates benefits to be earned by future service and salary increases. This accrued benefit valuation assumes an ongoing plan and, therefore, differs from a calculation of PBGC termination liabilities which would be based on the benefits and assumptions appropriate for a terminating plan.

The American Academy of Actuaries, in Appendix I of the Actuarial Standards of Practice Number 4, has provided recommended procedures for the calculation of the present value of vested accrued benefits (Illustration 1) and the present value of accrued benefits (Illustration 2). The results under both Illustrations include the sum of the present value of:

- All benefits expected to be paid to former participants and their beneficiaries; and
- Benefits expected to be paid at future dates to present active participants, based only on service and pay prior to the date of calculation.

The present value of vested accrued benefits using Illustration 1 recognizes only the benefits in which an active participant retains a right, independent of continuation of employment beyond the calculation date. It does not include any additional benefits which might arise because of future death or disability that would not become payable if the participant had terminated employment before the occurrence of the death or disability.

The present value of all accrued benefits using Illustration 2 recognizes all accrued benefits expected to become payable at future dates, including the accrued portion of disability and preretirement death benefits. Thus, the accrued benefit of a nonvested participant is included in this calculation to the extent it will become payable (i.e., vested) upon the occurrence of a future event such as termination, death, disability, or retirement.

The accrued benefit used in these calculations is based on the personnel data supplied by the company.

Assets and Liabilities (continued)

Comparison of Vested Accrued and All Accrued Benefits With Assets

	January 1, 2003	January 1, 2004	January 1, 2004 Current Liability
Assumed Interest Rate	8.0%	8.0%	6.55%
Mortality Table	83 GAM	83 GAM	83 GAM
Present Value of Vested Accrued Benefits			
Actives and Transfers	\$ 206,923,833	\$ 239,148,182	\$ 268,922,377
Vested Terminations	70,069,212	71,461,235	67,747,360
Retirees and Beneficiaries	594,872,666	551,651,223	609,939,324
Total	<u>\$ 871,865,711</u>	<u>\$ 862,260,640</u>	<u>\$ 946,609,061</u>
Present Value of All Accrued Benefits			
Actives and Transfers	\$ 222,645,861	\$ 255,893,035	\$ 298,049,429
Vested Terminations	70,069,212	71,461,235	67,747,360
Retirees and Beneficiaries	594,872,666	551,651,223	609,939,324
Total	<u>\$ 887,587,739</u>	<u>\$ 879,005,493</u>	<u>\$ 975,736,113</u>
Market Value of Assets ¹	\$ 711,292,602	\$ 800,645,958	\$ 800,645,958
Funded Ratio (Market to All Accrued)	80.1%	91.1%	82.1%

¹ Includes contributions accrued but not yet paid as of the calculation date.

Assets and Liabilities (continued)

Analysis of Change in Present Value of All Accrued Benefits

Present Value of Accrued Benefits, 1/1/2003	\$ 887,587,739
Change Due to Benefits Paid	(107,794,803)
Increase Due to Plan Experience, Including Population Changes	11,518,945
Increase Due to Additional Benefit Accrual	20,977,224
Increase Due to Interest	66,695,227
Increase Due to Assumption Changes ¹	0
Increase Due to Plan Amendments ²	<u>21,161</u>
Present Value of Accrued Benefits, 1/1/2004	\$ 879,005,493

¹ There were no changes in assumptions since the previous valuation.

² Liabilities for active participants increased because the IRC section 401(a)(17) pay limit increased from \$200,000 to \$205,000.

Contributions

Funding Standard Account

The minimum contribution is determined under Section 412 of the Internal Revenue Code (IRC) by maintaining a Funding Standard Account (FSA). The minimum contribution required is the amount necessary to make the FSA credits for the plan year equal to the FSA charges for the plan year. Contributions in excess of the minimum create a credit balance, which serves to reduce the minimum contribution requirement for the subsequent plan year.

The FSA charges for the plan year are the sum of:

- (1) Normal cost;
- (2) Amortization payments, representing amortization over 30-year periods for the initial unfunded actuarial liability, and for increases in the unfunded actuarial liability caused by plan amendments or the addition of new employee groups; over 10-year periods for the increases in the unfunded actuarial liability due to changes in actuarial assumptions; and over 5-year periods for increases in the unfunded actuarial liability resulting from actuarial losses;
- (3) Interest on the above items; and
- (4) An additional charge is applied for plans that are not sufficiently well-funded.

The FSA credits for the plan year are the sum of:

- (5) Credit balance at the end of the prior plan year;
- (6) Contributions made;
- (7) Amortization payments, representing amortization over 10-year periods for decreases in the unfunded actuarial liability due to changes in actuarial assumptions and over 5-year periods for decreases in the unfunded actuarial liability resulting from actuarial gains; and
- (8) Interest on the above items.

If the FSA credits are less than the FSA charges, a funding deficiency exists which is subject to an initial nondeductible tax of 10% with additional penalties if not corrected within a specified time frame.

Contributions (continued)

Funding Standard Account for Plan Year Ended December 31, 2003

Shown below is the calculation of the balance in the Funding Standard Account as of December 31, 2003:

(1) Charges	
(a) Normal Cost, 1/1/2003	\$ 16,124,685
(b) Amortization Payment (on \$483,498,005)	76,198,253
(c) Interest as Applicable to End of Plan Year on (a) + (b)	7,385,835
(d) Additional Funding Charge	<u>0</u>
(e) Total	\$ 99,708,773
(2) Credits	
(a) Credit Balance on 12/31/2002	\$ 45,002,030
(b) Amortization Payment (on \$157,678,785)	36,672,637
(c) 2003 Plan Year Contribution Made on April 15, 2004	61,555,151
(d) Interest as Applicable to End of Plan Year on (a) + (b) + (c)	6,533,973
(e) Full Funding Limit Credit	<u>0</u>
(f) Total	\$ 149,763,791
(3) Credit Balance, 12/31/2003, 2(f) – 1(e)	\$ 50,055,018

Contributions (continued)

Minimum Contribution (Funding Standard Account) for 2004 Plan Year

The minimum contribution required for the plan year ending December 31, 2004 is developed below:

(1) Charges	
(a) Normal Cost, 1/1/2004	\$ 17,194,723
(b) Amortization Payment (on \$440,663,372)	75,039,432
(c) Interest as Applicable to End of Plan Year on (a) + (b)	7,378,732
(d) Additional Funding Charge	<u>0</u>
(e) Total	\$ 99,612,887
(2) Credits	
(a) Credit Balance on 12/31/2003	\$ 50,055,018
(b) Amortization Payment (on \$142,300,116)	36,472,200
(c) Interest as Applicable to End of Plan Year on (a) + (b)	6,922,177
(d) Full Funding Limit Credit	<u>0</u>
(e) Total	\$ 93,449,395
(3) Contribution Needed to Avoid Funding Deficiency, 12/31/2004, (1)(e) – (2)(e), But Not Less Than Zero	\$ 6,163,492
(4) 2004 Plan Year Contributions, Expected to be Paid on April 15, 2005	\$ 59,997,387
(5) Expected Credit Balance, 12/31/2004, (2)(e) – (1)(e) + (4)	\$ 53,833,895

Contributions (continued)

Additional Funding Requirement for 2004 Plan Year

Beginning with the 1995 plan year, the Retirement Protection Act of 1994 modified the additional funding charge that was introduced by the Pension Protection Act of 1987. This additional funding charge applies only to underfunded plans. In general, this charge can vary from a 4 to a 12-year amortization of the unfunded current liability, reduced by certain charges and credits in the funding standard account. If applicable, the additional funding charge results in an increased minimum required contribution.

The additional funding requirement eligibility test (Gateway Test) determines if the plan's minimum contribution is subject to the additional charge for the plan year. For the 2004 plan year, the test compares current liability to the actuarial value of assets on January 1, 2004. The gateway current liability must be calculated using the 1983 Group Annuity Mortality table and the maximum permissible interest rate, which is 6.55% for 2004.

If the gateway percentage (the ratio of assets to liabilities) is greater than 90%, then the plan is exempt from the additional funding charge. If the gateway percentage is greater than 80% but less than 90%, then the plan may qualify for the "volatility rule exemption." To qualify, the plan must have gateway percentages greater than 90% in two consecutive years out of the immediately prior three years. For 2004, the gateway percentage is greater than 90%, and thus the plan is exempt from the additional funding charge.

Additional Funding Requirement Eligibility Test

(1) Gateway Current Liability, 1/1/2004 Based on Interest Rate of 6.55%	\$ 975,736,113
(2) Actuarial Value of Assets, 1/1/2004	\$ 889,398,489
(3) Gateway Percentage, (2) ÷ (1)	91.2%

Prior Gateway Percentages

Gateway Percentage, January 1, 2003	88.4%
Gateway Percentage, January 1, 2002	100.1%
Gateway Percentage, January 1, 2001	90.2%

Contributions (continued)

Amortization Schedule for Minimum Required Contribution

Source, Date Began Amortization	Initial Amount	Remaining Balance on 1/1/2004	Date of Final Payment	2004 Payment Amount
Charges				
Bases Combined, 1/1/1992	\$ 122,190,098	\$ 67,215,236	1/1/2010	\$ 11,953,881
Plan Amendment, 1/1/1993	\$ 49,391,031	42,446,506	1/1/2022	4,092,457
Plan Amendment, 1/1/1993	\$ 1,041,966	895,464	1/1/2022	86,335
Plan Amendment, 1/1/1995	\$ 4,303,956	3,847,299	1/1/2024	355,634
Assumption Change, 1/1/1995	\$ 10,256,554	1,430,576	1/1/2004	1,430,576
Plan Amendment, 1/1/1996	\$ 598,470	544,094	1/1/2025	49,387
Assumption Change, 1/1/1996	\$ 11,120,033	2,977,909	1/1/2005	1,546,222
Change in Limits, 1/1/1997	\$ 2,079,812	1,920,042	1/1/2026	171,421
Assumption Change, 1/1/1997	\$ 37,583,735	14,503,025	1/1/2006	5,210,796
Plan Amendment, 1/1/1997	\$ 1,384,224	1,277,888	1/1/2026	114,090
Change in Limits, 1/1/1998	\$ 12,712	11,903	1/1/2027	1,047
Plan Amendment, 1/1/1998	\$ 15,555,513	14,566,860	1/1/2027	1,281,047
Plan Amendment, 1/1/1998	\$ 109,091,542	102,158,067	1/1/2027	8,984,042
Assumption Change, 1/1/1999	\$ 63,616,718	37,890,215	1/1/2008	8,786,897
Plan Amendment, 1/1/2000	\$ 2,702,426	2,596,201	1/1/2029	222,377
Plan Amendment, 1/1/2000	\$ 481,417	462,494	1/1/2029	39,615
Actuarial Loss, 1/1/2000	\$ 7,777,840	1,806,743	1/1/2004	1,806,743
Plan Amendment, 1/1/2001	\$ 33,858,303	32,903,982	1/1/2030	2,786,117
Plan Amendment, 1/1/2002	\$ 4,964,860	4,873,700	1/1/2031	408,348
Plan Amendment, 1/1/2002	\$ 15,792,646	15,502,675	1/1/2031	1,298,908
Actuarial Loss, 1/1/2002	\$ 5,064,838	3,269,103	1/1/2006	1,174,557
Plan Amendment, 1/1/2003	\$ 5,574,458	5,525,250	1/1/2032	458,486
Actuarial Loss, 1/1/2003	\$ 97,955,679	81,258,501	1/1/2007	22,716,326
Plan Amendment, 1/1/2004	\$ 779,639	779,639	1/1/2033	64,123
Total		\$ 440,663,372		\$ 75,039,432
Credits				
Plan Amendment, 1/1/1994	\$ 2,413,393	\$ 2,117,404	1/1/2023	\$ 199,687
Asset Method Change, 1/1/1997	\$ 66,556,163	25,683,070	1/1/2006	9,227,678
De Minimus Merger of PFS, 1/1/1998	\$ 1,964,832	972,567	1/1/2007	271,888
Method Change, 1/1/1999	\$ 141,826,250	84,471,931	1/1/2008	19,589,390
Plan Amendment, 1/1/2000	\$ 10,961,683	10,530,811	1/1/2029	902,014
Actuarial Gain, 1/1/2001	\$ 15,451,891	6,910,857	1/1/2005	3,588,330
Actuarial Gain, 1/1/2004	\$ 11,613,476	11,613,476	1/1/2008	2,693,213
Total		\$ 142,300,116		\$ 36,472,200

Contributions (continued)

Amortization Schedule for Minimum Required Contribution (continued)

Equation of Balance, 1/1/2004

(1) Net Remaining Balance	\$ 298,363,256
(2) Credit Balance	50,055,018
(3) Reconciliation Account (Due to Prior Deficit Reduction Contribution)	135,425,961
(4) Unfunded Actuarial Liability, (1) - (2) - (3), but not less than \$0	<u>\$ 112,882,277</u>

Contributions (continued)

Maximum Deductible Contribution

The determination of the maximum deductible contribution for the tax year ending March 31, 2004, is based upon the plan year beginning January 1, 2004, as shown below:

(1) Normal Cost	\$ 17,194,723
(2) Net Amortization Payment (on \$146,330,858)	20,192,234
(3) Interest to 3/31/2004	<u>747,739</u>
(4) Ten-year Maximum for 12 Months	\$ 38,134,696
(5) Full Funding Limit	\$ 269,784,474
(6) Lesser of (4) or (5)	\$ 38,134,696
(7) Minimum Required Contribution as of 12/31/2004	\$ 6,163,492
(8) Greater of (6) and (7)	\$ 38,134,696
(9) Projected Unfunded Current Liability, 3/31/2004, for Maximum Purposes	\$ 145,915,674
(10) Maximum Deductible Contribution, Greater of (8) and (9)	\$ 145,915,674

It is our understanding that all contributions reported on the Form 5500 for years prior to 2003 have been fully deducted. This calculation does not reflect the 25% of covered compensation limitation on deduction for contributions to overlapping plans.

Contributions (continued)

Funding Policy Contribution

Effective January 1, 2001, the company adopted a new funding policy. The policy defines the contribution as of January 1, 2001 to be the normal cost plus a five year amortization of the unfunded actuarial liability.

In subsequent years, the difference between the actual unfunded actuarial liability and the expected unfunded liability is amortized over five years. In addition, increases or decreases in the unfunded actuarial liability as a result of changes in plan benefits, population coverages, assumptions, or actuarial methods are amortized over five years. Finally, the funding policy contribution will be no less than the minimum required contribution nor greater than the maximum deductible contribution.

The calculation of the Funding Policy Contribution for the 2004 plan year is as follows:

(1) Normal Cost, 1/1/2004	\$ 17,194,723
(2) Amortization Payment (on \$112,882,275)	38,358,413
(3) Interest on (1) + (2) to 12/31/2004	4,444,251
(4) Five-Year Contribution, (1) + (2) + (3)	<u>\$ 59,997,387</u>
(5) Minimum Contribution	\$ 6,163,492
(6) Maximum Deductible Contribution	\$ 145,915,674
(7) Funding Policy Contribution, greater of (4) and (5), but not to exceed (6)	\$ 59,997,387

Contributions (continued)

Amortization Schedule for Funding Policy Contribution

Source, Date Began Amortization	Initial Amount	Remaining Balance on 1/1/2004	Date of Final Payment	Annual Payment Amount
Initial Unfunded Actuarial Liability, 1/1/2001	\$ 34,398,502	\$ 15,363,410	1/1/2005	\$ 7,977,154
Spinoff, 1/31/2001	\$ 12,489,202	5,802,900	1/1/2006	2,896,297
Actuarial Loss, 1/1/2002	\$ 5,064,838	3,269,102	1/1/2006	1,174,557
Plan Amendments, 1/1/2002	\$ 20,757,506	13,397,944	1/1/2006	4,813,751
Actuarial Loss, 1/1/2003	\$ 97,955,679	81,258,501	1/1/2007	22,716,326
Plan Amendments, 1/1/2003	\$ 5,574,458	4,624,255	1/1/2007	1,292,740
Actuarial Gain, 1/1/2004	\$ (11,613,476)	(11,613,476)	1/1/2008	(2,693,213)
Plan Amendments, 1/1/2004	\$ 779,639	<u>779,639</u>	1/1/2008	<u>180,801</u>
		\$ 112,882,275		\$ 38,358,413

Contributions (continued)

Full Funding Limitation

The Full Funding Limitation (FFL) is defined in IRC Section 412(c)(7) as the ERISA full funding limitation with a minimum equal to the RPA '94 full funding limitation.

The ERISA FFL is the excess, if any, of the actuarial accrued liability (projected to the end of the year) over the lesser of the fair market value of assets and the actuarial value of assets. RPA '94 requires the full funding limitation to be no smaller than the excess, if any, of 90% of the RPA '94 current liability over the actuarial value of assets.

For determining the ERISA full funding limitation for the minimum required contribution, an adjustment is made to reflect the Funding Standard Account Credit Balance, with interest to the end of the year at the funding interest rate.

	ERISA FFL	RPA '94 Override
Projected Liability, 12/31/2004	\$ 1,001,193,528	\$ 974,358,538
Applicable Percentage	<u>100%</u>	<u>90%</u>
Adjusted Liability	\$ 1,001,193,528	\$ 876,922,684
Projected Assets for Maximum Purposes		
Lesser of Market Value and Actuarial Value	731,409,054	N/A
Actuarial Value	<u>N/A</u>	<u>827,261,787</u>
For Determining Maximum Deductible Contribution	\$ 269,784,474	\$ 49,660,897
Carryover Contributions for Maximum	(33,448,581)	(33,448,581)
Credit Balance, 12/31/2004	<u>54,059,419</u>	<u>N/A</u>
For Determining Minimum Required Contribution	\$ 290,395,312	\$ 16,212,316
	For Maximum Deductible Contribution	For Minimum Required Contribution
Full Funding Limitation, 12/31/2004	\$ 269,784,474	\$ 290,395,312

Contributions (continued)

Full Funding Limitation

This page develops the end of year liabilities and assets for the determination of the full funding limitation.

Liabilities	Actuarial Liability (ERISA)	Current Liability (RPA '94)
Interest Rate	8.0%	6.55%
Liability, 1/1/2004	\$ 1,002,280,766	\$ 975,736,113
Expected Benefit Accrual for 2004	17,194,723	25,958,902
Expected Benefit Payments	(96,000,000)	(90,000,000)
Interest to 12/31/2004	<u>77,718,039</u>	<u>62,663,523</u>
Projected Liability, 12/31/2004	\$ 1,001,193,528	\$ 876,922,684

Assets	Market Value	Actuarial Value
Interest Rate	8.0%	8.0%
Assets, 1/1/2004	\$ 800,645,958	\$ 889,398,489
Expected Benefit Payments for 2004	(96,000,000)	(96,000,000)
Interest to 12/31/2004	<u>60,211,677</u>	<u>67,311,879</u>
Projected Assets, 12/31/2004	\$ 764,857,635	\$ 860,710,368
Carryover Contributions	<u>(33,448,581)</u>	<u>(33,448,581)</u>
Projected Assets for Maximum, 12/31/2004	\$ 731,409,054	\$ 827,261,787

Experience

Determination of the Actuarial Loss (Gain) for Funding Purposes

If the experience of the plan had corresponded to that expected under the actuarial assumptions, the plan would have had no actuarial loss (gain). However, for the plan year just ended, the actual experience did vary from the assumptions used for the plan and the resulting actuarial loss (gain) is determined as follows:

(1) Unfunded Actuarial Liability, 1/1/2003		\$ 155,422,782
(2) Normal Cost, 1/1/2003		16,124,685
(3) 2003 Plan Year Contributions		61,555,151
(4) Interest at 8.00% on:		
(a) Unfunded Actuarial Liability	\$ 12,433,823	
(b) Normal Cost	1,289,975	
(c) Contributions	<u>0</u>	
(d) Total, (a) + (b) - (c)		\$ <u>13,723,798</u>
(5) Expected Unfunded Actuarial Liability, (1) + (2) - (3) + (4)(d)		\$ 123,716,114
(6) Actual Unfunded Actuarial Liability Before Changes, 1/1/2004		\$ 112,102,638
(7) Actuarial Loss (Gain), (6) - (5)		\$ (11,613,476)

Analysis of Experience

There are two main sources of actuarial gain or loss during any year: liability experience and investment experience. During 2003, the experience from all sources created a net actuarial gain of \$11,613,476. This gain was the result of an investment gain of \$17,755,407 offset by a liability loss of \$6,141,931.

The return during the 2003 plan year on the actuarial value of assets was 10.3%. The return during the 2003 plan year on the market value of assets was 21.2%. The history of return on market value of assets is shown on the following page.

Experience (continued)

Asset Return

The table below shows the actual and assumed rates of return on the market value of assets over the past several years.

The rates of return have been developed by assuming benefits and expenses are paid uniformly throughout the year and contributions made after the plan year are paid at the end of the year. The rate should be used in analyzing trends in actuarial experience, but is not appropriate for comparisons external to the actuarial report.

The rates of return prior to 1996 are taken from the January 1, 1996 valuation report by the previous actuary.

Year	Actual		Assumed Return
	Annual	Cumulative Average	
2003	21.2%	10.2%	8.00%
2002	-7.5%	9.6%	8.00%
2001	-7.9%	10.8%	8.00%
2000	-0.4%	12.1%	8.00%
1999	28.4%	13.1%	8.00%
1998	17.3%	12.0%	8.50%
1997	15.9% ¹	11.5%	8.50%
1996	16.7%	11.1%	8.75%
1995	21.8%	10.6%	8.75%
1994	-0.6%	9.5%	8.75%
1993	14.4%	10.8%	8.75%
1992	6.0%	10.3%	9.00%
1991	19.6%	11.0%	9.00%
1990	-1.6%	9.3%	9.00%
1989	21.0%	12.2%	9.00%
1988	14.7%	9.5%	8.3%
1987	3.2%	7.0%	8.3%
1986	10.9%	10.9%	8.3%

¹ The method for determining the annual rate of return changed effective January 1, 1997, and the return under the new method is shown for all subsequent years.

Accounting Requirements

Accounting Information Under SFAS No. 87

The Financial Accounting Standards Board issued Statement No. 87 (Employers' Accounting for Pensions) and Statement No. 88 (Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits) in December 1985.

The expense and disclosure portions of Statement No. 87 are effective for fiscal years beginning after December 15, 1986. The balance sheet and non-U.S. plans portion of Statement No. 87 are effective for fiscal years beginning after December 15, 1988. Statement No. 88 is effective upon adoption of Statement No. 87.

Statement of Financial Accounting Standards No. 132 (Employers' Disclosures about Pensions and Other Postretirement Benefits) was published in February 1998. Statement No. 132 amended the disclosure requirements of FAS Statements No. 87 and 88. The disclosure requirements under Statement No. 132 first became effective for fiscal years beginning after December 15, 1997. Statement No. 132 was subsequently revised in December 2003. All but one of the new disclosure requirements under Statement No. 132 (revised 2003) are effective for fiscal years ending after December 15, 2003. Disclosure of estimated future benefit payments is effective for fiscal years ending after June 15, 2004.

PacifiCorp adopted the expense and disclosure portions of Statement No. 87 in 1987 based on a December 31 measurement date. The next several pages contain the results determined under Statement No. 87, as amended by Statement No. 132, for footnote disclosure in the 2004 financial statements and net periodic pension cost determination for fiscal year 2005.

Accounting Requirements (continued)

Financial Position During 2004 Under SFAS No. 87

	Disclosed March 31, 2004
Projected Benefit Obligation	\$ (1,181,706,000)
Plan Assets at Fair Value	<u>733,243,000</u>
Funded Status	\$ (448,463,000)
Unrecognized Net (Gain) Loss	369,209,000
Unrecognized Prior Service Cost	8,815,000
Unrecognized Net Transition (Asset) Obligation	<u>24,361,000</u>
Prepaid (Accrued) Pension Cost	\$ (46,078,000)

Net Periodic Pension Cost

	4/1/2004 – 3/31/2005
Service Cost Component	\$ 24,900,000
Interest Cost Component	70,857,000
Expected Return on Assets	(77,670,000)
Amortization of:	
Unrecognized Net (Gain) Loss	8,384,000
Unrecognized Prior Service Cost	897,000
Unrecognized Net (Asset) Obligation	<u>8,407,000</u>
Net Periodic Pension Cost (Income)	\$ 35,775,000
Expected Employer Contributions	\$ 61,555,000
Expected Benefit Payments	\$ 96,000,000

Accounting Requirements (continued)

Determination of Market Related Value of Assets

Market Related Value of Assets have been determined as the market value of assets adjusted to spread asset gains and losses after January 1, 2000 over five measurement periods. This method of determining assets is an acceptable method under current FAS 87 and is designed to reflect a relatively stable, long-term growth of assets.

	January 1, 2004
(1) Market value of assets, January 1, 2004	\$ 733,243,461
(2) Amount of Asset Gain/(Loss) Deferred	
(a) 20% of Gain/(Loss) from April 1, 2000 to December 31, 2000 of \$(30,862,971)	\$ (6,172,594)
(b) 40% of Gain/(Loss) from January 1, 2001 to December 31, 2001 of \$(247,483,829)	(98,993,532)
(c) 60% of Gain/(Loss) from January 1, 2002 to December 31, 2002 of \$(152,823,874)	(91,694,324)
(d) 80% of Gain/(Loss) from January 1, 2003 to December 31, 2003 of \$47,559,993	<u>38,047,994</u>
(e) Total	\$ <u>(158,812,456)</u>
(3) Market related value of assets, January 1, 2004 (1) – (2) (e)	\$ 892,055,917

(Gain)/Loss Subject to Amortization for 4/1/2004 – 3/31/2005

Corridor Test

(a) Total (Gain)/Loss	\$ 369,209,000
(b) Nonamortizable Portion of Asset (Gain)/Loss	<u>158,812,456</u>
(c) (Gain)/Loss Subject to Corridor, (a) – (b)	\$ 210,396,544

Corridor Limit

(d) 10% of the Greater of Projected Benefit Obligation and Market- Related Value of Assets	\$ 118,170,600
(e) (Gain)/Loss Subject to Amortization, Excess of (c) Over (d)	\$ 92,225,944
(f) Average Remaining Service (Years)	11
(g) Amortization Payment (e) ÷ (f)	\$ 8,384,177

Accounting Requirements (continued)

Alternative Amortization Method

As permitted under Paragraph 26 of Statement No. 87, the amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the Plan.

	Initial Date	Balance 4/1/2004	Remaining Period	Annual Net Amortization Payment
Transition Obligation/Assets				
UP&L Transition	1/1/1987	\$ 12,622,108	4.83	\$ 2,611,470
DCP Transition	1/1/1987	11,738,806	2.02	5,795,397
		<u>\$ 24,360,914</u>		<u>\$ 8,406,867</u>
Prior Service Costs				
Plan Change Local 57	4/1/2000	\$ (5,912,751)	8.00	\$ (739,094)
COLA	4/1/2002	14,727,272	9.00	1,636,364
		<u>\$ 8,814,521</u>		<u>\$ 897,270</u>
(Gain)/Loss				
2004 Loss	4/1/2004	\$ 92,225,944	11.00	\$ 8,384,177

Personnel Information

This section contains data on personnel submitted for the actuarial valuation. The information is organized to be useful for a variety of purposes:

- Counts of plan participants and averages of age and service provide quick comparisons of the differences from year to year in the employee group.
- The detailed information on personnel by age and service isolates the number of participants eligible for specific employee benefits. For example, if participants with 15 or more years of service are to receive additional vacation, this distribution indicates the number of participants currently eligible for additional vacation and the number potentially becoming eligible for additional vacation in each of the next several years.

The actuarial valuation was based on personnel information from company records. The following table shows the number of participants by category and the number of vested active participants:

Personnel Summary

	January 1, 2003	January 1, 2004
Active Participants		
Vested	3,429	3,593
Nonvested	896	928
Subtotal	<u>4,325</u>	<u>4,521</u>
Vested Terminations	1,224	1,344
Retirees and Beneficiaries	<u>4,407</u>	<u>4,254</u>
Total Number of Participants	9,956	10,119

Personnel Information (continued)

Personnel Characteristics of Active Participants

The following characteristics of active participants, both male and female, are presented: number of employees, average age, and average service.

	January 1, 2003	January 1, 2004
Number of Active Participants		
Males	3,249	3,403
Females	<u>1,076</u>	<u>1,118</u>
Total	4,325	4,521
Average Present Age		
Males	46.9	47.3
Females	<u>42.9</u>	<u>43.4</u>
Total	45.9	46.4
Average Years of Service		
Males	17.0	17.2
Females	<u>10.9</u>	<u>11.1</u>
Total	15.5	15.7
Compensation		
Total	\$ 284,667,452	\$ 314,691,126
Average	\$ 65,819	\$ 69,607
Valuation Compensation		
Total	\$ 296,988,646	\$ 320,201,382
Average	\$ 68,668	\$ 70,825

Personnel Information (continued)

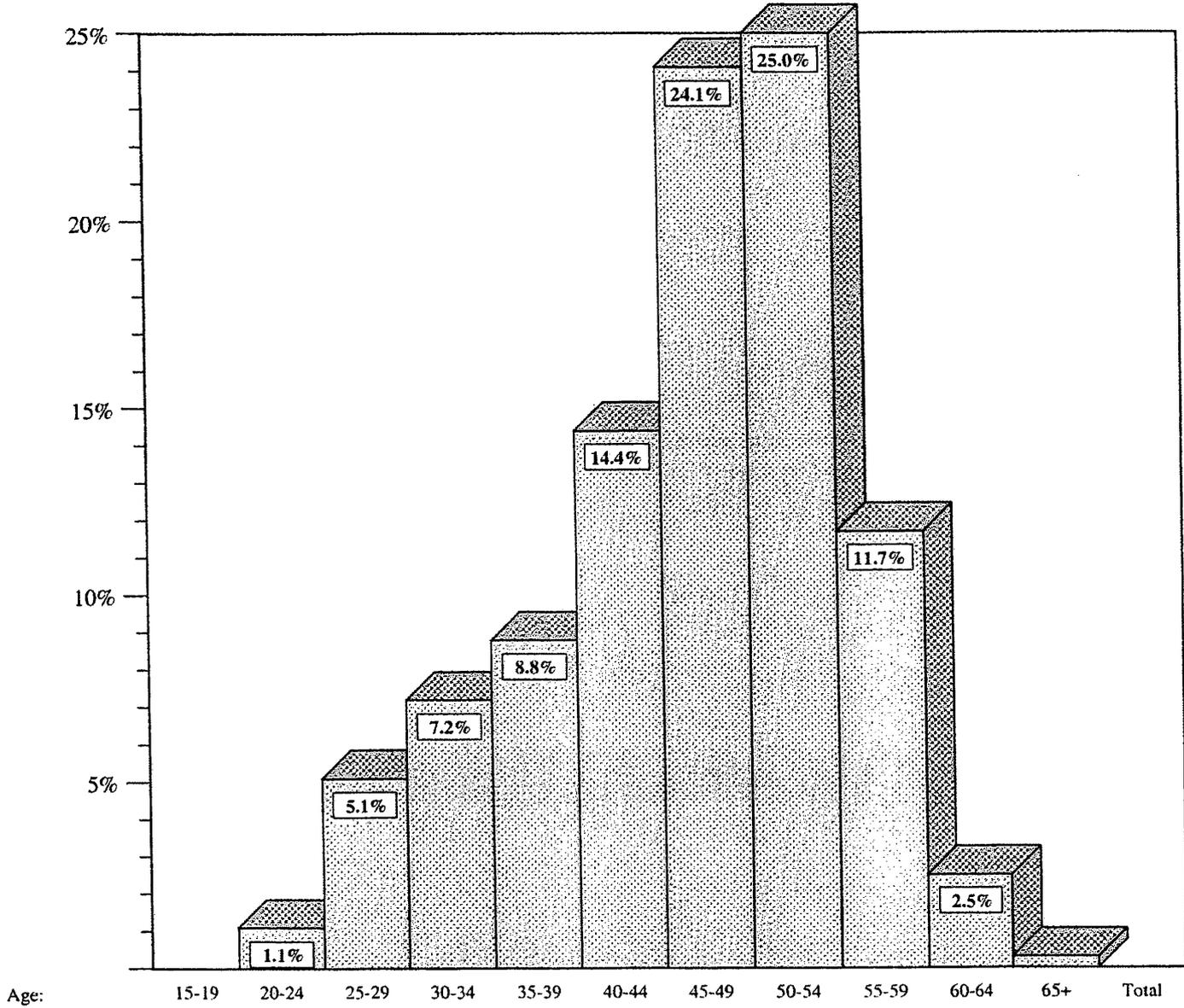
Personnel Characteristics of Inactive Participants

	January 1, 2003	January 1, 2004
Terminated Vested Participants		
Number	1,224	1,344
Average Age	50.1	50.9
Average Monthly Benefit	\$ 1,067	\$ 942
Retirees and Beneficiaries		
Number	4,407	4,254
Average Age	70.5	71.4
Average Monthly Benefit ¹	\$ 1,294	\$ 1,292

¹ Includes DCP Benefit.

Distribution of Personnel by Age

**PACIFICORP RETIREMENT PLAN
 ACTIVE PARTICIPANTS**



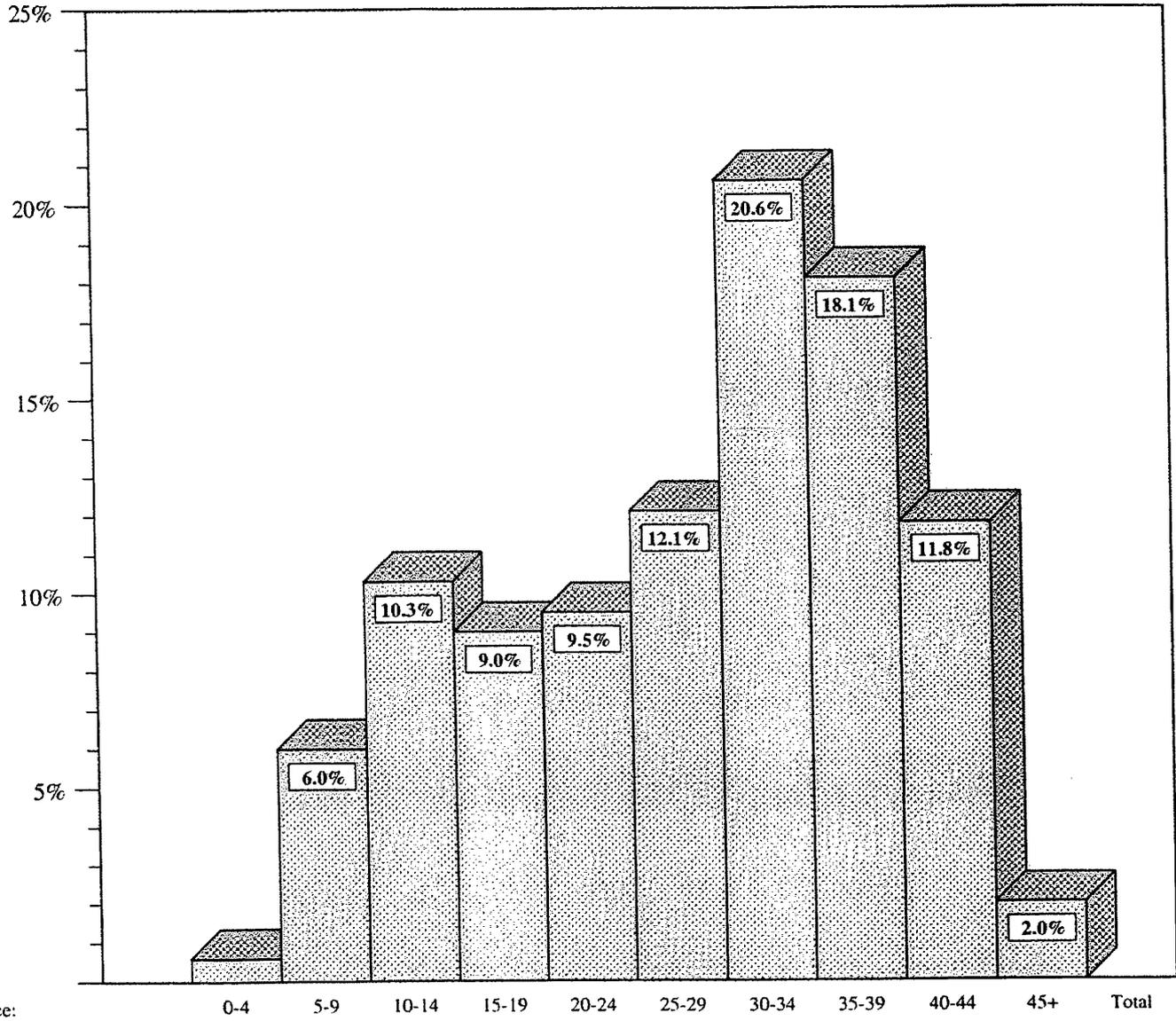
Number	0	50	229	325	396	649	1,089	1,131	529	111	12	4,521
Average Pay	0	39,273	49,766	60,349	68,656	72,228	75,078	72,943	68,773	57,536	52,413	69,607
Average Service	0.0	2.8	3.7	5.2	7.4	12.6	18.2	21.1	22.0	17.0	7.3	15.7

Detail Of Employees 55 & Over

Age	55	56	57	58	59	60	61	62	63	64	65	66+
Number	235	142	66	36	50	35	25	19	15	17	5	7
Average Pay	69,594	67,084	67,119	71,748	69,749	59,690	57,685	60,999	47,685	57,702	54,843	50,676
Average Service	23.8	21.7	17.6	24.8	18.0	19.8	16.7	17.8	15.7	12.2	7.1	7.3

**Distribution Of Personnel
 By Expected Service At Age 65
 (Based Upon Personnel Age 55 And Over)**

**PACIFICORP RETIREMENT PLAN
 ACTIVE PARTICIPANTS**



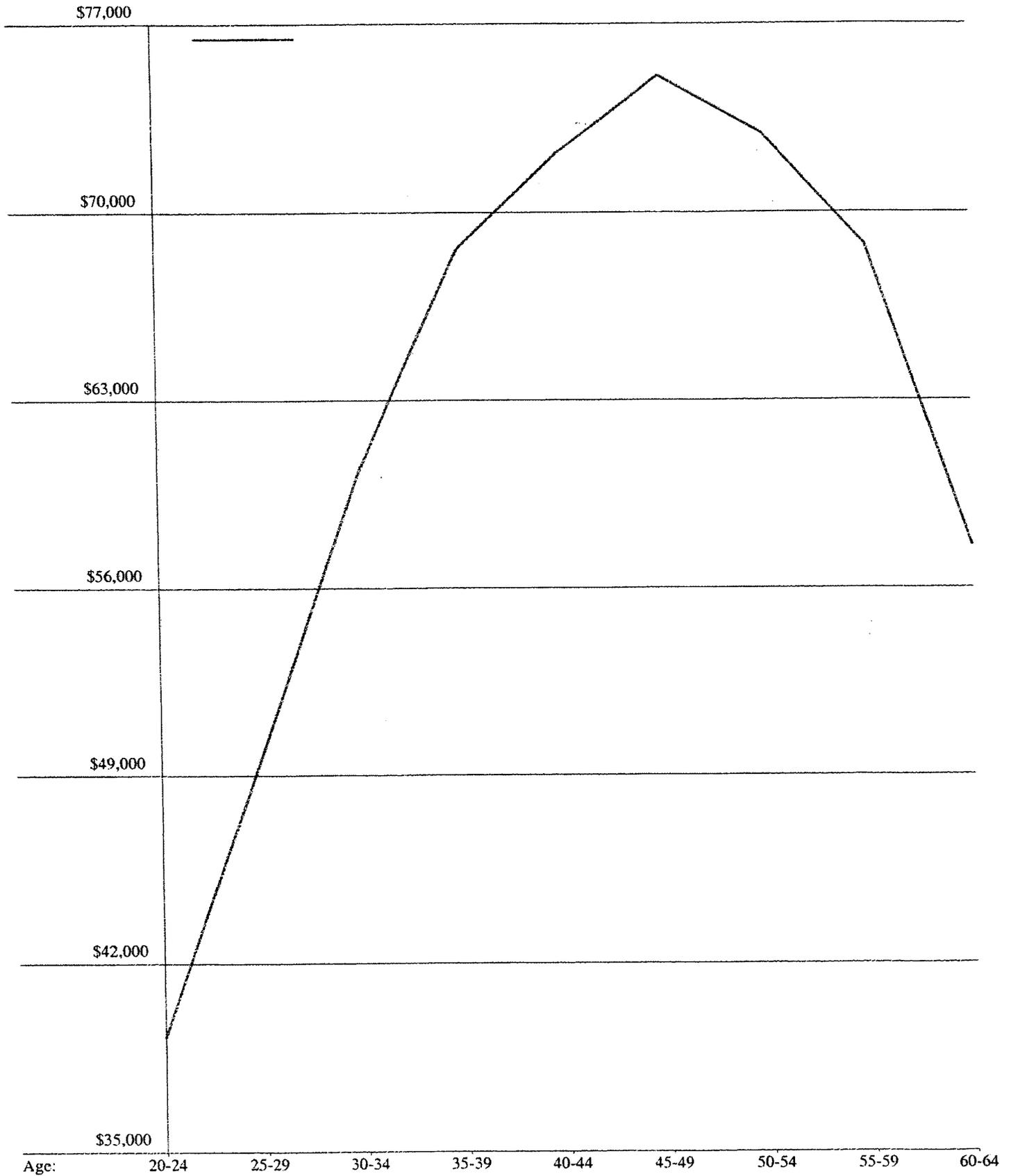
Service:

Number	4	39	67	59	62	79	134	118	77	13	652
Average Pay	47,454	60,938	71,538	62,743	61,149	61,187	67,543	67,938	74,495	69,706	66,558
Average Service At Age 65*	2.9	7.8	12.6	17.4	22.3	27.9	32.7	37.2	42.2	46.0	28.2

* Or Current Age If Older

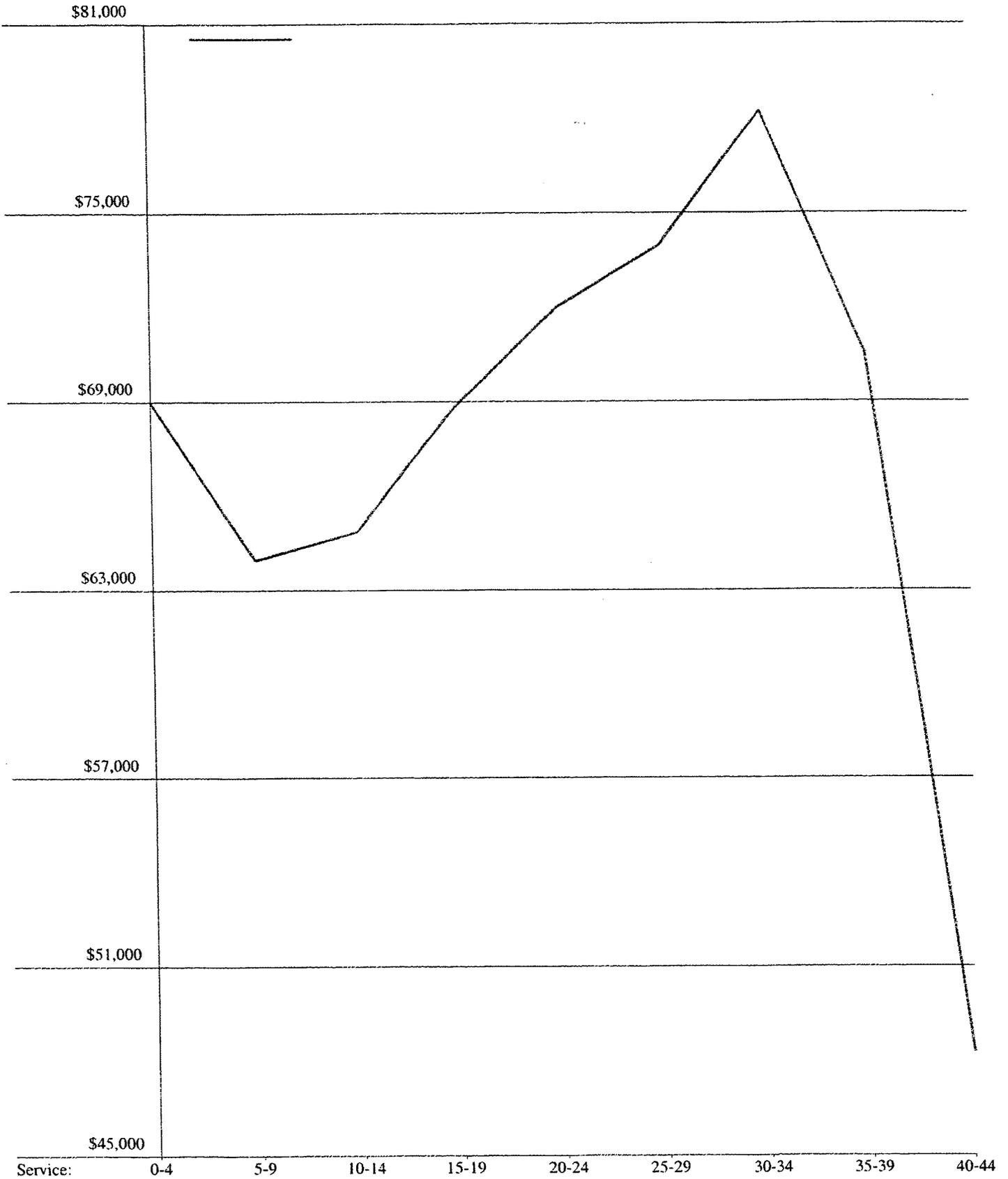
Average Compensation By Age

PACIFICORP RETIREMENT PLAN
ACTIVE PARTICIPANTS



Average Compensation By Service

PACIFICORP RETIREMENT PLAN
ACTIVE PARTICIPANTS



Plan Provisions

Effective Date	Amended and restated effective January 1, 1994; most recently amended effective December 31, 2002.
Participation	Any employee, other than a casual or leased employee, of a participating company shall become a participant on the first of the month following the completion of one-year of service and attainment of age 21.
Eligibility for Benefits	
Normal	Attainment of age 65.
Early	<ul style="list-style-type: none">• Attainment of age 55 and the completion of 5 years of service; or• At least 75 points (age plus years of service).
Deferred	Completion of 5 years of service.
Disability	Completion of 10 years of service, and disabled.
Preretirement Death	Completion of 5 years of service.
Postponed	Retirement after attainment of age 65.

Plan Provisions (continued)

Retirement Benefits

Normal

Monthly benefit equal to the greatest of (1), (2), (3), (4), and (5); plus the DCP benefit.

- (1) The Basic Benefit plus the Excess Benefit, plus the Additional Service Benefit;

Basic Benefit = 1.3% of Final Average Pay times Benefit Years up to a maximum of 30.

Excess Benefit = 0.65% of Final Average Pay in excess of Social Security Covered Compensation, times Benefit Years up to a maximum of 30.

Additional Service Benefit = 0.25% of Final Average Pay times Benefit Years in excess of 30.

- (2) Monthly benefit under the Utah Power and Light Company Retirement Income Plan on the New Formula Date, as follows:
- 12/31/90 for union employees; or
 - 12/31/89 for non-union employees; or
 - the date of transfer from union to non-union status for employees making this transfer during 1990.
- (3) Short service factor (SSF) x Benefit Years up to 20, plus the long service factor (LSF) x Benefit Years in excess of 20, where:

Annual Salary Rate on New Formula Date	SSF	LSF
Under \$25,000	\$35	\$15
From \$25,000 to \$35,000	\$50	\$20
Over \$35,000	\$60	\$25

- (4) Monthly benefit earned under other groups that were merged with the Plan.

Plan Provisions (continued)

Retirement Benefits

(continued)

- (5) For members of the IBEW Local 57 who are age 50 or older and in active status on July 1, 1999:

1.67% of Final Average Pay times Benefit Years up to a maximum of 30 plus 0.50% of Final Average Pay times Benefit Years in excess of 30.

The DCP benefit is the monthly benefit payable to former participants of the Utah Power and Light Deferred Compensation Plan.

Early

A benefit computed in the same manner as a normal retirement benefit based on compensation and benefit years at the time of termination. This benefit is paid without reduction if deferred to age 65 or reduced if payments commence before age 65. The applicable early retirement factors vary depending upon which benefit formula predominates.

For Formula (1), the Basic Benefit is reduced under the Higher Percentage table if the participant terminates with 75 or more points, otherwise the Lower Percentage table is used; the Excess Benefit is reduced under the Lower Percentage Table and the Additional Service Benefit is reduced under the Higher Percentage table.

Age at Benefit Starting Date	Higher Percentage	Lower Percentage
64	100.00%	92.00%
63	100.00%	84.00%
62	100.00%	76.00%
61	96.00%	72.00%
60	92.00%	68.00%
59	88.00%	64.00%
58	84.00%	60.00%
57	80.00%	56.00%
56	76.00%	52.00%
55	72.00%	48.00%
54	64.63%	43.09%
53	58.09%	38.73%
52	52.29%	34.86%
51	47.12%	31.42%
50	42.52%	28.35%

Plan Provisions (continued)

Retirement Benefits

(continued)

For Formulas (2) and (5), the reduction factor is 4% per year below age 65 if the participant has less than 30 years of service; otherwise, the reduction is 4% per year below age 64. For retirement between ages 50 and 55, the reduction factors are the same as the terminated vested factors.

For Formula (3), the reduction factors are based on the factors in the Higher Percentage table listed above.

For Formula (4), the reduction is based upon the applicable early retirement factor for the frozen benefit that was merged with the Plan.

The DCP benefit is also reduced for early commencement under a schedule that approximates actuarial reductions from age 65.

Deferred Vested

A benefit computed in the same manner as a normal retirement benefit based on final average compensation and benefit years at the time of termination. This benefit is paid without reduction at age 65 or actuarially reduced for early commencement.

Disability

A benefit computed in the same manner as a normal retirement benefit based on final average pay and benefit years at the time of disability. This benefit is paid without reduction if deferred to age 65 or reduced in accordance with the early retirement table if receipt is commenced earlier.

Plan Provisions (continued)

Retirement Benefits

(continued)

Preretirement Death

If death occurs before age 55, the vested participant's spouse will be eligible to begin receiving a life annuity or lump sum immediately or may defer payment until the time the participant would have become age 55. If deferred to age 55, the benefit amount will be equal to the amount the spouse would have received if the participant had separated from service on the date of death or on the actual date of termination, if earlier, survived until age 55, and then died with a 50% joint and survivor benefit in effect.

The spouse of a participant who dies while employed after age 55 or after completing 30 years of service shall receive a life annuity equal to the benefit which would have been paid if the participant had retired on the day before his death with a 50% joint and survivor benefit in effect. In the case of death of a participant with 30 years of service before age 55, the participant is assumed to be age 55 in determining the applicable early retirement reduction factors.

Preretirement death benefits of terminated vested participants are the same as those for active participants except that the benefit is reduced for the cost of death protection after the date of termination of employment. Participants may elect out of this coverage at the time of termination with spousal consent.

Postponed Retirement

A benefit computed in the same manner as a normal retirement benefit.

Plan Provisions (continued)

Definitions

Year of Service	12-month period during which an employee is in continuous employment with the company or an affiliate.
Benefit Year	Years of service while a participant. Any participants who complete less than a full year of service receive fractional credit.
Compensation	<p>Compensation includes all nondeferred compensation reportable on Form W-2 except the amounts shown below, plus salary reduction amounts elected by the participant under a qualified cash or deferred arrangement or a cafeteria plan. Excluded items are:</p> <ul style="list-style-type: none">• Bonuses in excess of 10 percent of base salary, determined before reductions in base salary for nonqualified deferred compensation;• Overtime, premium pay, shift and location differentials;• Imputed income from expense reimbursement or fringe benefits;• Commissions that are in lieu of participation in a bonus program or that do not accompany a discounted salary rate;• Other items such as prizes and awards, severance payments, long-term incentive pay. <p>As of January 1, 2004, compensation for purposes of calculating qualified plan benefits is limited to \$205,000 in accordance with IRC section 401(a)(17).</p>
Final Average Pay	Average monthly compensation in the 60 highest consecutive calendar months of the last 120 calendar months of employment.
Social Security Covered Compensation	The covered compensation amount for a person with the participant's Social Security retirement age.
Plan Year	January 1 to December 31.

Plan Provisions (continued)

Contributions

The plan is paid for by the company. No participant contributions are allowed other than amounts previously transferred from plans that merged with the Plan.

Normal Form of Benefits

An unmarried member receives benefits payable as a single life annuity. A married participant retiring from active or disabled status receives a 50% joint and survivor benefit which is the actuarial equivalent of a life annuity payment. All other benefits are provided on an actuarial equivalent basis to a life annuity.

Optional Annuity Forms of Benefit

Level income option, 100% or 50% joint and survivor options, 10-year certain and life option. All optional forms are actuarially equivalent to the single life annuity based upon:

Interest: 9.00%

Mortality: 1984 Unisex Pension Mortality Table.

Lump Sum Benefit

The actuarially equivalent lump sum benefit is paid:

- automatically if the amount is not over \$5,000; or
- upon request.

The lump sum is based upon:

Interest: 30-year Treasury Rate for the September preceding the year in which the lump sum is paid.

Mortality: 1994 Group Annuity Reserving Table per Revenue Ruling 2001-62.

Cost of Living Adjustment

The amount payable to each participant with no service after December 31, 1987 is increased each January 1 by the lesser of:

- (1) 2%; or
- (2) The percentage increase in the U.S. Consumer Price Index (all items) during the 12 months ending with the September index preceding the adjustment date.

Effective May 1, 2002, an ad hoc COLA was granted to certain pre-1996 retirees.

Actuarial Assumptions

Factor	Assumption
Mortality	1983 Group Annuity Mortality Table.
Withdrawal Before Retirement	Table A.
Retirement	Table B.
Disability	Table C.
Investment Return	Cash Contribution: 8.00% per year (net of investment expenses and net of 0.25% for administrative expenses) FAS 87 Expense for fiscal year ending March 31, 2005: Discount Rate: 6.25% Long-term Rate of return: 8.75% (net of investment expenses and net of 0.25% for administrative expenses)
Salary Scale	Cash Contribution: 5.0% per year. Expense: 4.0% per year.
Social Security Taxable Wage Base Increase	Cash Contribution: 4.5% per year. Expense: 4.0% per year.
Maximum Benefit Limitations	Cash Contribution: Limit at Social Security Normal Retirement Age for 2004 is \$165,000; no increase permitted under IRC section 412. Expense: The 2004 IRC section 415 annual benefit limit of \$165,000 is assumed to increase at 4% per year thereafter (preretirement and postemployment increases reflected).
Lump Sum Interest Rate	Cash Contribution: 150 basis points less than the Investment Return assumption. Expense: 100 basis points less than the Discount Rate.

Actuarial Assumptions (continued)

Factor	Assumption
Lump Sum Mortality	1994 GAR as modified for use in Revenue Ruling 2001-62.
Percent Electing Lump Sum	50% of normal and early retirement eligible active employees are assumed to elect a lump sum when they retire. All pre-retirement, post-decrement benefits are assumed to be paid as a lump sum.
Compensation Limitations	Cash Contribution: Limit for 2004 is \$205,000; no increase permitted under IRC section 412. Expense: The 2004 IRC section 401(a)(17) annual compensation limitation of \$205,000 is increased 4% per year thereafter.
Death Benefits	80% of participants are assumed to be married. Males are assumed to be 3 years older than their spouses.
Valuation of Assets	The market value is written up at the expected return on asset assumption (8% for Cash Contribution, 8.75% for Expense) and 20% of each of the preceding five years' asset gains or losses are captured. For Cash Contribution, the asset value determined under the method will be adjusted to be no greater than 120% and no less than 80% of the fair market value.
Actuarial Method	Projected unit credit cost method.

Actuarial Assumptions (continued)

Table A
Rates of Withdrawal
Male and Female

Age	Factor	Age	Factor
20	0.13250	40	0.05250
21	0.12800	41	0.04900
22	0.12350	42	0.04550
23	0.11900	43	0.04200
24	0.11450	44	0.03850
25	0.11000	45	0.03500
26	0.10550	46	0.03150
27	0.10100	47	0.02800
28	0.09650	48	0.02450
29	0.09200	49	0.02100
30	0.08750	50	0.01750
31	0.08400	51	0.01400
32	0.08050	52	0.01050
33	0.07700	53	0.00700
34	0.07350	54	0.00350
35	0.07000	55	0.00000
36	0.06650	56+	0.00000
37	0.06300		
38	0.05950		
39	0.05600		

Actuarial Assumptions (continued)

Table B
Rates of Retirement
Male and Female

Age	Factor
55	25%
56	5%
57	5%
58	5%
59	5%
60	5%
61	5%
62	35%
63	10%
64	10%
65 and over	100%

Actuarial Assumptions (continued)

Table C
Rates of Disability
Male and Female

Age	Factor	Age	Factor
20	0.00060	40	0.00220
21	0.00065	41	0.00259
22	0.00070	42	0.00298
23	0.00075	43	0.00337
24	0.00080	44	0.00376
25	0.00085	45	0.00415
26	0.00090	46	0.00454
27	0.00095	47	0.00493
28	0.00100	48	0.00532
29	0.00105	49	0.00571
30	0.00110	50	0.00610
31	0.00121	51	0.00712
32	0.00132	52	0.00814
33	0.00143	53	0.00916
34	0.00154	54	0.01018
35	0.00165	55	0.01120
36	0.00176	56	0.01222
37	0.00187	57	0.01324
38	0.00198	58	0.01426
39	0.00209	59	0.01528
		60	0.01630
		61+	0.00000

Actuarial Assumptions (continued)

Discussion of Actuarial Assumptions and Methods

Ultimate Cost

The ultimate cost of a pension plan can be measured only when the obligation to all participants has been fully discharged. The cost will then be:

The benefits paid from the plan
plus
administrative expenses
less
investment gains
plus
investment losses.

The actuarial process assigns pension costs to the current year by estimating, based on both current and future service, the benefits to be paid to current plan participants. These estimates are determined through an actuarial valuation which uses three basic elements to project payments from the plan:

- Benefit provisions of the plan.
- Data on the present work force, terminated vested, and retired employees.
- Certain predictions (actuarial assumptions) about the future as it applies to this work force.

Actuarial Assumptions

The first step in the actuarial process is to determine the magnitude of the pension liability by determining the benefits expected to be paid. To determine how many employees will become eligible for benefits, what benefits will be paid, and how long benefits will be paid, it is necessary to make some economic and demographic predictions (usually called actuarial assumptions) such as:

- An assumed retirement age predicting when employees will begin to receive retirement benefits.
- A mortality rate predicting the number of employees who will die before retirement and the duration of benefit payments after retirement.
- A withdrawal rate predicting the number of employees who will leave the work force before retirement. (Sometimes certain kinds of withdrawal such as disabilities are predicted separately.)
- If the benefits are based on compensation, an assumed rate of pay increases predicting employees' compensation in future years.

Actuarial Assumptions (continued)

These assumptions are applied to the data for each employee to predict the amount of benefits expected to be paid each year in the future. The total future benefit payments in each year are then discounted at a selected interest rate to determine the current amount which with future investment return, will be sufficient to pay the expected benefits as they become payable. The discounted payments are usually called the present value of future benefits.

Total Future Benefit Payments	
Future Investment Return	Present Value of Future Benefits

Actuarial Method

The actuarial method is the mathematical process which determines the contributions required to pay for the present value of future benefits, by allocating costs to the years of an employee's career. Some costs are allocated to future years in an employee's career (*future service liability*) and other costs are allocated to past years (*past service liability*).

Total Future Benefit Payments			
Future Investment Return	Present Value of Future Benefits		
	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Future Service Liability</td> <td style="text-align: center;">Past Service Liability</td> </tr> </table>	Future Service Liability	Past Service Liability
Future Service Liability	Past Service Liability		

There is a fair amount of flexibility in this allocation of costs between future and past. Some methods assign relatively little cost to past years in an employee's career, others assign a more significant portion to the past. All methods produce allocations of contributions which will accumulate to an amount sufficient to provide the benefits at retirement. However, the various methods produce widely different allocation of contributions to past and future employment.

Actuarial Assumptions (continued)

Many actuarial methods are acceptable under the Employee Retirement Income Security Act of 1974 (ERISA) for calculating cash contributions. However, once an actuarial method has been selected and filed for minimum funding purposes, a change in method may be made only if approved by the Secretary of the Treasury or his delegate. The Secretary has granted automatic approval for some changes in actuarial method.

Usual terminology refers to the future allocation as the *present value of future normal costs* and the past allocation as the *accrued liability*.

The portion of the accrued liability which is not covered by the assets of the plan is called the *unfunded accrued liability*. The value of the assets used in the actuarial process under ERISA must take into account fair market value, but this may be done in a way which eliminates much of the short-term fluctuation of market value from one valuation to the next.

Total Future Benefit Payments		
Future Investment Return	Present Value of Future Benefits	
	Future Service Liability	Past Service Liability
	Present Value of Future Normal Costs	Unfunded Accrued Liability
		Assets

For the current year, the method produces a *normal cost*. Payment of the normal cost each year would eventually discharge all future service liability.

Actuarial Assumptions (continued)

The unfunded accrued liability must also be discharged, and this is done by an *amortization payment*. The amortization payment is flexible, and may be increased or decreased within certain allowable bounds. The sum of both the normal cost and the amortization payment is the current year's pension cost.

Total Future Benefit Payments		
Future Investment Return	Present Value of Future Benefits	
	Future Service Liability	Past Service Liability
	Present Value of Future Normal Costs	Unfunded Accrued Liability
		Assets
	Normal Cost <input style="width: 40px; height: 20px;" type="text"/>	Amortization Payment <input style="width: 40px; height: 20px;" type="text"/>
	Current Year's Contribution	

Valuations to determine contributions to the ongoing plan use the *Projected Unit Credit Cost Method*.

Under this actuarial method, the cost attributed to past service (*past service liability* or *accrued liability*) is determined on the valuation date as the present value of the benefits actually earned (accrued) as of that date. The *unfunded accrued liability* is the amount by which the accrued liability exceeds the valuation assets.

The current year's *normal cost*, determined on the valuation date, is the amount required to fund the benefit expected to be earned in the current year.

Because the value of the future service liability is not used in the calculation of normal cost, it is often omitted from the actuarial report which may show only an accrued liability.

The calculations for any disability, termination or death benefits take into consideration that the entitlement to benefits may begin at various future times. Each age prior to retirement has associated with it appropriate probabilities of disability, termination and death.