

Hewitt

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January 11, 2005

Mr. Daniel J. Rosborough
 PacifiCorp
 825 NE Multnomah, Suite 1800 LCT
 Portland, OR 97232

Dear Dan:

Subject: Projected FY 2006 Pension Expense for Electric Operations

Our initial projection of FY 2006 pension plan expense for Electric Operations is shown in the table below, which reconciles the actual FY 2005 expense to the initial projected FY 2006 expense:

| | |
|---|----------------|
| Actual Fiscal Year 2005 Expense for the Company | \$ 35.8 |
| Actual Fiscal Year 2005 Expense for Electric Operations | \$ 31.5 |
| Impact of higher discount rate on service cost and interest cost | (0.4) |
| Increase in interest cost due to additional benefit accruals during FY 2005 | 1.3 |
| Impact of projected unfavorable asset return during FY 2005 and continued recognition of deferred asset losses | 3.7 |
| Impact of projected increase in unrecognized net loss primarily attributable to the current and cumulative unfavorable asset experience | 5.5 |
| Projected Fiscal Year 2006 Expense for Electric Operations | <u>\$ 41.6</u> |

The initial FY 2006 projection was based on a 6.50% discount rate for FY 2006, a 4.00% projected investment return during 2004, and a net active participant increase of 279 over actual FY 2005. All of the other assumptions remain unchanged from actual FY 2005.

As you requested, we have updated the fiscal year 2006 pension plan expense projection for Electric Operations to reflect a more-likely discount rate of 6.00% and to reflect the estimated investment return of 10.5% earned on the plan's assets during 2004.

| | |
|---|----------------|
| Actual Fiscal Year 2005 Expense for Electric Operations | \$ 31.5 |
| Impact of lower discount rate on service cost and interest cost | 0.3 |
| Increase in interest cost due to additional benefit accruals during FY 2005 | 1.6 |
| Impact of estimated favorable asset return during FY 2005 and continued recognition of deferred asset losses | 3.0 |
| Impact of projected increase in unrecognized net loss primarily attributable to the cumulative unfavorable asset experience | 4.9 |
| Impact of projected increase in unrecognized net loss attributable to the lower discount rate | 5.9 |
| Projected Fiscal Year 2006 Expense for Electric Operations | <u>\$ 47.2</u> |

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Mr. Daniel J. Rosborough

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Please let us know if you have any questions.

Sincerely,

Hewitt Associates LLC



Daniel S. Watts

DSW:lee

cc: Mr. Albert A. Kopec Jr., Hewitt Associates