

PacifiCorp Postretirement Welfare Plan

**Actuarial Valuation Report  
Disclosure for Fiscal Year Ending December 31, 2013  
and 2014 Benefit Cost under US GAAP**

January 2014

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# Purposes of valuation

PacifiCorp engaged Towers Watson Delaware Inc. (“Towers Watson”) to value the Company’s postretirement benefit plan.

As requested by PacifiCorp (the Company) this report provides information for year-end financial reporting purposes required by FASB Accounting Standards Codification Topic 715-20-50 (ASC 715) for your fiscal year ending December 31, 2013 for the PacifiCorp Postretirement Welfare Plan (the Plan).

The exhibits present year-end financial reporting information in accordance with ASC 715-20-50 and 715-60-50, including net balance sheet position of the Plan, cash flow, plan asset information, amortization amounts during the fiscal year, participant information, the provisions on which the valuation is based, and the actuarial assumptions and methods used in the calculations. Additional input is required (as described below) by the Company in relation to the plan asset disclosures specified in ASC 715-20-50-1(d) (public entities) or ASC 715-20-50-5(c) (nonpublic entities).

In addition, this report presents the Net Periodic Postretirement Benefit Cost/(Income) (Benefit Cost), in accordance with ASC 715, for the fiscal year beginning January 1, 2014. Both year-end financial reporting and benefit cost results are based on a valuation of the Plan as of December 31, 2013.

## Limitations

This valuation has been conducted for the purposes described above and may not be suitable for any other purpose. In particular, please note the following:

1. As discussed above, certain year-end financial reporting information in accordance with ASC 715-20-50 and 715-60-50 is not included in this report and must be provided by PacifiCorp, as follows:
  - Categorization of assets, actual asset allocation at December 31, 2013 and December 31, 2012, and the target asset allocation for 2014.
  - A description of PacifiCorp’s investment policy for the assets held by the other postretirement benefit plan.
  - A description of the basis used to determine the expected long-term rate of return on plan assets.
  - The Company’s expected contributions to the plan in 2014.
2. The expected contribution to the other postretirement benefits plan(s) has been set at \$3,965,025.

Note that any significant change in the amounts contributed or expected to be contributed in 2014 will require disclosure in the interim financial statements.

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# Section 1: Summary of key results

## Benefit cost, assets & obligations

All monetary amounts shown in US Dollars

Fiscal Year Beginning		01/01/2014	01/01/2013
<b>Benefit Cost/ (Income)</b>	Net Periodic Postretirement Benefit Cost/(Income)	4,770,085	11,789,002
	Amortization of Regulatory (Liability)/Asset	489,171	489,171
	Total Benefit Cost/(Income)	5,259,256	12,278,173
Measurement Date		12/31/2013	12/31/2012
<b>Plan Assets</b>	Fair Value of Assets (FVA)	485,219,914	423,685,500
	Market Related Value of Assets (MRVA)	437,007,922	412,637,966
	Return on Fair Value Assets during Prior Year	21.25%	13.94%
<b>Benefit Obligations</b>	Accumulated Postretirement Benefit Obligation (APBO)	(597,702,800)	(631,879,659)
<b>Funded Ratios</b>	Fair Value of Assets to APBO	81.2%	67.1%
<b>Accumulated Other Comprehensive (Income)/Loss</b>	Net Prior Service Cost/(Credit)	(32,866,000)	(39,546,000)
	Net Loss/(Gain)	107,511,091	213,769,571
	Net Regulatory (Liability)/Asset	2,167,205	2,656,376
	Total Accumulated Other Comprehensive (Income)/Loss	76,812,296	176,879,947
<b>Assumptions</b>	Discount Rate	4.90%	4.10%
	Expected Long-term Rate of Return on Plan Assets	7.50%	7.50%
	Rate of Compensation Increase	N/A	N/A
	Current Health Care Cost Trend Rate	8.00%	8.00%
	Ultimate Health Care Cost Trend Rate	5.00%	5.00%
	Year of Ultimate Trend Rate	2019	2018
<b>Participant Data</b>	Census Date	01/01/2013	01/01/2012

## Comments on results

The actuarial gain/(loss) due to demographic experience, including any assumption changes, and investment return different from assumed during the prior year was \$34,504,644 and \$57,150,553 respectively.

### Change in net periodic cost and funded position

The net periodic cost decreased from \$12,278,173 in fiscal 2013 to \$5,259,256 in fiscal 2014 and the funded position improved from \$(208,194,159) to \$(112,482,886).

Significant reasons for these changes include the following:

- The return on the fair value of plan assets since the prior measurement date was greater than expected, which improved the funded position.
- The return on the market-related value of plan assets, which reflects gradual recognition of asset gains and losses over the past five years, was greater than expected, which reduced the pension cost.
- Contributions to the plan during the prior year reduced the net periodic cost and improved the funded position.
- The discount rate increased 80 basis points compared to the prior year, which reduced the net periodic cost and improved the funded position.

### Effects of Health Care Reform

This valuation reflects our understanding of the relevant provisions of PPACA and HCERA. The IRS has yet to issue final guidance with respect to many aspects of these laws. It is possible that future guidance may conflict with our understanding of these laws based on currently available guidance and could therefore affect the results shown in this report.

## Basis for valuation

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued.

### Changes in assumptions

- The discount rate was increased from 4.10% to 4.90% to better reflect current market conditions.
- Health care cost trend rates were changed to 8.00% in 2014 grading down to an ultimate rate of 5.00% in 2019.
- The mortality table has been updated to the current valuation year.

- The Medicare Prescription Drug Federal Subsidy assumption was changed from 23% of prescription drug costs to 16% of prescription drug costs for Energy West Union.
- The 2018 excise tax thresholds were reduced to \$11,850 for individuals and \$30,950 for families.

**Changes in methods**

None

**Changes in benefits valued**

None

**Subsequent events**

None

**Additional information**

- December 31, 2013 obligations include \$6,783,051 of unused HRA balances and \$925,000 of sick leave credits.
- Energy West Union data reflects actual termination/retirement experience through November 22, 2013.



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# Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices. However please note the information discussed below regarding this valuation.

## Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, assets, and sponsor accounting policies and methods provided by PacifiCorp and other persons or organizations designated by PacifiCorp. We have relied on all the data and information provided as complete and accurate. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. The results presented in this report are directly dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data, assets, plan provisions or other information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by PacifiCorp, may produce materially different results that could require that a revised report be issued.

## Measurement of benefit obligations, plan assets and balance sheet adjustments

### Census date/measurement date

The measurement date is December 31, 2013. The benefit obligations were measured as of the Company's December 31, 2013 fiscal year end and are based on participant data as of the census date, January 1, 2013 for all groups except Energy West Union. Energy West Union data has been updated to reflect actual termination/retirement experience through November 22, 2013. We have projected forward benefit obligations to the end of the year, adjusting for expected growth in benefit obligations, changes in key assumptions and plan provisions, and any significant changes in plan demographics that occurred during the year.

This is the same data that was used for the calculation of the Net Periodic Postretirement Benefit Cost/(Income) for the fiscal year ending December 31, 2014.

### Plan assets and balance sheet adjustments

Information about the fair value of plan assets was furnished to us by the Company. The Company also provided information about the general ledger account balances for the other postretirement benefit plan cost at December 31, 2013, which reflect the expected funded status of the plans before adjustment to reflect the plans' funded status based on the year-end measurements, and differences between the expected Medicare Part D subsidies and amounts received during the year. Towers Watson used information supplied by the Company regarding postretirement benefit asset, postretirement benefit liability and amounts recognized in accumulated other comprehensive income as of December 31, 2013. This data was reviewed for reasonableness and consistency, but no audit was performed.

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with the Company's tax advisors and auditors.

## Assumptions and methods under ASC 715-30-35

As required by U.S. GAAP, the actuarial assumptions and methods employed in the development of the other postretirement benefit cost and other financial reporting have been selected by the Company. Towers Watson has concurred with these assumptions and methods. ASC 715-30-35 requires that each significant assumption "individually represent the best estimate of a particular future event."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated by Towers Watson, we consider to be reasonable and within the "best-estimate range" as described by the Actuarial Standards of Practice. Other actuarial assumptions could also be considered to be reasonable and within the best-estimate range. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the best-estimate ranges for various assumptions.

A summary of the assumptions and methods used is provided in Appendix A. Note that any subsequent changes in methods or assumptions for the December 31, 2013 measurement date will change the results shown in this report.

## Nature of actuarial calculations

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with any certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. The numbers shown in this report are not rounded, but this is for convenience only and should not imply precision, which is not a characteristic of actuarial calculations.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period), and changes in plan provisions or applicable law.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

## Limitations on use

This report is provided subject to the terms set out herein and in our engagement letter dated July 25, 2012 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of the Company and its auditors in connection with our actuarial valuation of the other postretirement benefit plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. The Company may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require the Company to provide them this report, in which case the Company will use best efforts to notify Towers Watson in advance of this distribution and will include the non-reliance notice included at the end of this report. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Towers Watson's prior written consent. In the absence of such consent and an express assumption of responsibility, Towers Watson accepts no responsibility for any consequences arising from any third party relying on this report or any advice relating to its contents. There are no other intended beneficiaries of this report or the work underlying it.

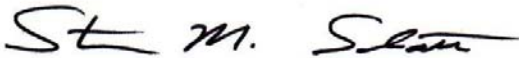
### Professional qualifications

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to other postretirement benefit plans. Our objectivity is not impaired by any relationship between the plan sponsor and our employer, Towers Watson Delaware Inc.



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## Section 2: Accounting exhibits

### 2.1 Disclosed benefit cost

All monetary amounts shown in US Dollars

Fiscal Year Ending	12/31/2013	12/31/2012
<b>A Disclosed Benefit Cost</b>		
1 Employer service cost	8,647,618	7,063,000
2 Interest cost	25,176,088	27,588,000
3 Expected return on assets	(29,957,987)	(29,999,000)
4 Subtotal	3,865,719	4,652,000
5 Net prior service cost/(credit) amortization	(6,680,000)	(6,680,000)
6 Net loss/(gain) amortization	14,603,283	10,358,000
7 Net regulatory (liability)/asset amortization	489,171	489,171
8 Amortization subtotal	8,412,454	4,167,171
9 Net periodic postretirement benefit cost/(income)	12,278,173	8,819,171
10 Curtailments	0	0
11 Settlements	0	0
12 Special/contractual termination benefits	0	0
13 Disclosed benefit cost	12,278,173	8,819,171
<b>B Assumptions Used to Determine Benefit Cost<sup>1</sup></b>		
1 Discount rate	4.10%	4.95%
2 Long-term rate of return on assets	7.50%	7.50%
3 Rate of compensation increase	N/A	N/A
4 Current health care cost trend rate	8.00%	8.50%
5 Ultimate health care cost trend rate	5.00%	5.00%
6 Year of ultimate trend rate	2018	2016

<sup>1</sup> These assumptions were used to calculate Net Periodic Postretirement Benefit Cost/(Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable. See Appendix A for interim measurements, if any.

<b>Fiscal Year Ending</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
<b>C Effect of 1% Increase in Health Care Cost Trend Rates</b>		
1 Employer service cost	10,463,888	8,398,026
2 Interest cost	27,153,421	29,419,690
3 Total	37,617,309	37,817,716
4 Amount change	3,793,603	3,166,716
5 Percentage change	11.22%	9.14%
<b>D Effect of 1% Reduction in Health Care Cost Trend Rates</b>		
1 Employer service cost	7,385,979	6,142,747
2 Interest cost	23,621,215	26,129,500
3 Total	31,007,194	32,272,247
4 Amount change	(2,816,512)	(2,378,753)
5 Percentage change	(8.33%)	(6.86%)

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## 2.2 Balance sheet asset/(liability)

All monetary amounts shown in US Dollars

Fiscal Year Ending	12/31/2013	12/31/2012
<b>A Development of Balance Sheet Asset/(Liability)</b>		
1 Accumulated postretirement benefit obligation (APBO)	(597,702,800)	(631,879,659)
2 Fair value of assets (FVA)	485,219,914	423,685,500
3 Net balance sheet asset/(liability)	(112,482,886)	(208,194,159)
<b>B Current and Noncurrent Allocation</b>		
1 Noncurrent assets	0	0
2 Current liabilities	(299,211)	(295,983)
3 Noncurrent liabilities	(112,183,675)	(207,898,176)
4 Net balance sheet asset/(liability)	(112,482,886)	(208,194,159)
<b>C Reconciliation of Net Balance Sheet Asset/(Liability)</b>		
1 Net balance sheet asset/(liability) at end of prior fiscal year	(208,194,159)	(190,869,000)
2 Employer service cost	(8,647,618)	(7,063,000)
3 Interest cost	(25,176,088)	(27,588,000)
4 Expected return on assets	29,957,987	29,999,000
5 Plan amendments	0	0
6 Actuarial gain/(loss)	91,655,197	(21,281,355)
7 Employer contributions	7,119,633	5,105,763
8 Benefits paid directly by the Company <sup>1</sup>	1,250,620	640,216
9 Medicare Part D subsidy	(330,126)	(424,833)
10 Early Retiree Reinsurance Program receipts	0	2,970,237
11 Acquisitions/divestitures	0	0
12 Curtailments	0	0
13 Settlements	0	0
14 Special/contractual termination benefits	0	0
15 Prescription drug rebates	(118,332)	316,813
16 Net balance sheet asset/(liability) at end of current fiscal year	(112,482,886)	(208,194,159)
<b>D Assumptions and Dates Used at Disclosure</b>		
1 Discount rate	4.90%	4.10%
2 Rate of compensation/salary increase	N/A	N/A
3 Current health care cost trend rate	8.00%	8.00%
4 Ultimate health care cost trend rate	5.00%	5.00%
5 Year of ultimate trend rate	2019	2018
6 Census date	01/01/2013	01/01/2012

<sup>1</sup> Net of retiree contributions.



<b>Fiscal Year Ending</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
<b>E Effect of 1% Increase in Health Care Cost Trend Rates</b>		
1 Accumulated postretirement benefit obligation (APBO)	638,722,542	680,107,310
2 Amount change	41,019,742	48,227,651
3 Percentage change	6.86%	7.63%
<b>F Effect of 1% Decrease in Health Care Cost Trend Rates</b>		
1 Accumulated postretirement benefit obligation (APBO)	564,888,492	593,955,944
2 Amount change	(32,814,308)	(37,923,715)
3 Percentage change	(5.49%)	(6.00%)

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## 2.3 Accumulated other comprehensive (income)/loss

All monetary amounts shown in US Dollars

Fiscal Year Ending	12/31/2013	12/31/2012
<b>A Accumulated Other Comprehensive (Income)/Loss</b>		
1 Net prior service cost/(credit)	(32,866,000)	(39,546,000)
2 Net loss/(gain)	107,511,091	213,769,571
3 Net regulatory (liability)/asset	2,167,205	2,656,376
4 Accumulated other comprehensive (income)/loss <sup>1</sup>	76,812,296	176,879,947
<b>B Development of Accumulated Other Comprehensive (Income)/Loss (AOCI)</b>		
1 AOCI at prior fiscal year end	176,879,947	162,736,000
2 Less amounts amortized during the year		
a Net prior service (cost)/credit	(6,680,000)	(6,680,000)
b Net (loss)/gain	14,603,283	10,358,000
c Net regulatory (liability)/asset	489,171	489,171
3 Occurring during the year		
a Net prior service cost/(credit)	0	0
b Net loss/(gain)	(91,655,197)	18,311,118
4 AOCI at current fiscal year end	76,812,296	176,879,947

<sup>1</sup> Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

## 2.4 Additional disclosure information

All monetary amounts shown in US Dollars

### A Accumulated Postretirement Benefit Obligation (APBO)

	12/31/2013	12/31/2012
1 Fully eligible actives	130,281,558	162,682,216
2 Other actives	73,516,868	122,718,620
3 Retirees, dependents and surviving spouses	393,904,374	346,478,823
4 Accumulated postretirement benefit obligation	597,702,800	631,879,659

	Benefit Payments <sup>1</sup> net of Medicare Part D Subsidy	Medicare Part D Subsidy
<b>B Expected Future Benefit Payments and Medicare Part D Subsidies</b>		
1 During fiscal year ending 12/31/2014	38,079,349	291,531
2 During fiscal year ending 12/31/2015	39,062,498	322,853
3 During fiscal year ending 12/31/2016	39,291,512	366,748
4 During fiscal year ending 12/31/2017	39,984,878	416,748
5 During fiscal year ending 12/31/2018	41,948,514	477,814
6 During fiscal year ending 12/31/2019 through 12/31/2023	206,521,568	3,476,236
<b>C Expected Contributions during fiscal year ending December 31, 2014</b>		
1 Employer		3,965,025
2 Plan participants		0
<b>D Expected Amortization Amounts during fiscal year ending December 31, 2014<sup>2</sup></b>		
1 Amortization of net regulatory (liability)/asset		489,171
2 Amortization of net prior service cost/(credit)		(6,680,000)
3 Amortization of net loss/(gain)		8,626,134
4 Total		2,435,305

<sup>1</sup> Net of retiree contributions.

<sup>2</sup> These amounts have been determined assuming there are no special events, plan amendments, assumption changes, or actuarial losses/(gains) during the upcoming fiscal year.

## 2.5 Changes in disclosed liabilities and assets

All monetary amounts shown in US Dollars

Fiscal Year Ending	12/31/2013	12/31/2012
<b>A Change in Accumulated Postretirement Benefit Obligation (APBO)</b>		
1 APBO at prior fiscal year end	631,879,659	574,679,000
2 Employer service cost	8,647,618	7,063,000
3 Interest cost	25,176,088	27,588,000
4 Actuarial loss/(gain)	(34,504,644)	43,610,272
5 Plan participants' contributions	6,709,940	7,001,427
6 Benefits paid from plan assets	(38,469,720)	(27,253,622)
7 Benefits paid from the Company <sup>1</sup>	(1,250,620)	(640,216)
8 Medicare Part D subsidy	330,126	424,833
9 Administrative expenses paid	(933,979)	(276,222)
10 Plan change	0	0
11 Acquisitions/divestitures	0	0
12 Curtailments	0	0
13 Settlements	0	0
14 Special/contractual termination benefits	0	0
15 Prescription drug rebates	118,332	(316,813)
16 APBO at current fiscal year end	597,702,800	631,879,659
<b>B Change in Plan Assets</b>		
1 Fair value of assets at prior fiscal year end	423,685,500	383,810,000
2 Actual return on assets	87,108,540	52,327,917
3 Employer contributions	7,119,633	5,105,763
4 Plan participants' contributions	6,709,940	7,001,427
5 Benefits paid	(38,469,720)	(27,253,622)
6 Administrative expenses paid	(933,979)	(276,222)
7 Early Retiree Reinsurance Program receipts	0	2,970,237
8 Acquisitions/divestitures	0	0
9 Settlements	0	0
10 Special/contractual termination benefits	0	0
11 Fair value of assets at current fiscal year end	485,219,914	423,685,500

<sup>1</sup> Net of retiree contributions.

## 2.6 Reconciliation of net balances

All monetary amounts shown in US Dollars

### A Reconciliation of Net Prior Service Cost/(Credit)

Measurement Date Established	Original Amount	Net Amount at 12/31/2012	Amortization Amount in 2013	Effect of Curtailments	Other Events	Net Amount at 12/31/2013	Amortization Amount in 2014
12/31/2011	(46,266,000)	(39,546,000)	(6,680,000)	0	0	(32,866,000)	(6,680,000)
<b>Total</b>		<b>(39,546,000)</b>	<b>(6,680,000)</b>	<b>0</b>	<b>0</b>	<b>(32,866,000)</b>	<b>(6,680,000)</b>

All monetary amounts shown in US Dollars

### B Reconciliation of Net Loss/(Gain)

	Net Amount at 12/31/2012	Amortization Amount in 2013	Experience Loss/(Gain)	Effect of Curtailments	Effect of Settlements	Net Amount at 12/31/2013	Amortization Amount in 2014
	213,769,571	14,603,283	(91,655,197)	0	0	107,511,091	8,626,134

### C Reconciliation of Net Regulatory (Liability)/Asset

Measurement Date Established	Original Amount	Net Amount at 12/31/2013	Amortization Amount in 2013	Effect of Curtailments	Effect of Settlements	Net Amount at 12/31/2013	Amortization Amount in 2014
12/31/2008		2,656,376	489,171	0	0	2,167,205	489,171
<b>Total</b>		<b>2,656,376</b>	<b>489,171</b>	<b>0</b>	<b>0</b>	<b>2,167,205</b>	<b>489,171</b>

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## 2.7 Reconciliation with prior year's disclosure

All monetary amounts shown in US Dollars

	Accumulated Postretirement Benefit Obligation (i)	Fair Value of Assets (ii)	Net Balance Sheet Asset / (Liability) (i+ii) (iii)	Net Regulatory (Liability) / Asset (iv)	Net Prior Service Cost / (Credit) (v)	Net Loss / (Gain) (vi)	Accumulated Other Comprehensive (Income)/Loss (iv+v+vi) (vii)
1 At December 31, 2012	(631,879,659)	423,685,500	(208,194,159)	2,656,376	(39,546,000)	213,769,571	176,879,947
2 Employer service cost	(8,647,618)		(8,647,618)				
3 Interest cost	(25,176,088)		(25,176,088)				
4 Expected asset return		29,957,987	29,957,987				
5 Amortizations				(489,171)	6,680,000	(14,603,283)	(8,412,454)
6 Experience loss/gain	34,504,644	57,150,553	91,655,197			(91,655,197)	(91,655,197)
7 Employer contributions		7,119,633	7,119,633				
8 Plan participants' contributions	(6,709,940)	6,709,940	0				
9 Benefits paid from plan assets	38,469,720	(38,469,720)	0				
10 Benefits paid from the company	1,250,620		1,250,620				
11 Medicare Part D subsidy	(330,126)		(330,126)				
12 Administrative expenses paid	933,979	(933,979)	0				
13 Plan changes	0		0		0		0
14 Acquisitions/divestitures	0	0	0				
15 Curtailments	0		0	0	0	0	0
16 Settlements	0	0	0	0		0	0
17 Other disbursements	0	0	0				
18 Prescription drug rebates	(118,332)		(118,332)				
19 Other adjustments	0	0	0	0	0	0	0
21 At December 31, 2013	(597,702,800)	485,219,914	(112,482,886)	2,167,205	(32,866,000)	107,511,091	76,812,296

January 2014

TOWERS WATSON 

## 2.8 Development of assets for benefit cost

All monetary amounts shown in US Dollars

	Fair Value	Market-Related Value			
<b>A Reconciliation of Assets</b>					
1 Plan assets at 12/31/2012	423,685,500	412,637,966			
2 Investment return	87,108,540	49,944,082			
3 Employer contributions	7,119,633	7,119,633			
4 Plan participants' contributions	6,709,940	6,709,940			
5 Benefits paid	(38,469,720)	(38,469,720)			
6 Administrative expenses paid	(933,979)	(933,979)			
7 Acquisitions/divestitures	0	0			
8 Settlements	0	0			
9 Special/contractual termination benefits	0	0			
10 Plan assets at 12/31/2013	485,219,914	437,007,922			
<b>B Rate of Return on Invested Assets</b>					
1 Weighted invested assets	409,956,718				
2 Rate of return	21.25%				
<b>C Investment Loss/(Gain)</b>					
1 Actual return	87,108,540				
2 Expected return	29,957,987				
3 Loss/(Gain)	(57,150,553)				
<b>D Market-Related Value of Assets</b>					
1 Fair value of assets at 12/31/2013	485,219,914				
2 Deferred investment (gains) and losses for last 5 years					
	<b>Measurement Year Ending</b>	<b>(Gain)/Loss</b>	<b>Percent Recognized</b>	<b>Percent Deferred</b>	<b>Deferred Amount</b>
	<b>(i)</b>	<b>(ii)</b>	<b>(iii)</b>	<b>(iv)</b>	<b>(v) = (ii) × (iv)</b>
a	12/31/2013	(57,150,553)	20.000%	80.000%	(45,720,442)
b	12/31/2012	(22,328,917)	40.000%	60.000%	(13,397,350)
c	12/31/2011	34,200,000	60.000%	40.000%	13,680,000
d	12/31/2010	(13,871,000)	80.000%	20.000%	(2,774,200)
e	12/31/2009	(40,780,000)	100.000%	0.000%	0
f	Total				(48,211,992)
3 Market-related value of assets					437,007,922

## 2.9 Summary and comparison of benefit cost and cash flows

All monetary amounts shown in US Dollars

Fiscal Year Ending	12/31/2014	12/31/2013
<b>A Total Benefit Cost</b>		
1 Employer service cost	5,817,077	8,647,618
2 Interest cost	28,354,493	25,176,088
3 Expected return on assets	(31,347,619)	(29,957,987)
4 Subtotal	2,823,951	3,865,719
5 Net prior service cost/(credit) amortization	(6,680,000)	(6,680,000)
6 Net loss/(gain) amortization	8,626,134	14,603,283
7 Net regulatory liability/(asset) amortization	489,171	489,171
8 Amortization subtotal	2,435,305	8,412,454
9 Net periodic postretirement benefit cost/(income)	5,259,256	12,278,173
10 Curtailments	0	0
11 Settlements	0	0
12 Special/contractual termination benefits	0	0
13 Total benefit cost	5,259,256	12,278,173
<b>B Assumptions<sup>1</sup></b>		
1 Discount rate	4.90%	4.10%
2 Rate of return on assets	7.50%	7.50%
3 Rate of compensation increase	N/A	N/A
4 Current health care cost trend rate	8.00%	8.00%
5 Ultimate health care cost trend rate	5.00%	5.00%
6 Year of ultimate trend rate	2019	2018
7 Census date	01/01/2013	01/01/2012
<b>C Assets at Beginning of Year</b>		
1 Fair market value	485,219,914	423,685,500
2 Market-related value	437,007,922	412,637,966
<b>D Cash Flow<sup>2</sup></b>		
	Expected	Actual
1 Employer contributions	3,965,025	7,119,633
2 Net benefits <sup>3</sup>	38,079,349	33,010,400

<sup>1</sup> These assumptions were used to calculate Net Periodic Postretirement Benefit Cost/(Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable. For assumptions used for interim measurement periods, if any, refer to Appendix A.

<sup>2</sup> Net of Medicare Part D subsidy.

<sup>3</sup> Net of retiree contributions over the fiscal year.



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## Section 3: Data exhibits

### 3.1 Plan participant data

Measurement Date Census Date		12/31/2013 01/01/2013 <sup>1</sup>	12/31/2012 01/01/2012
<b>Participating Employees</b>	Number of Fully Eligible	2,228	2,175
	Number of Other	4,101	4,415
	Total Number	6,329	6,590
	Average Age	48.38	48.07
	Average Service	18.19	17.59
<hr/>			
<b>Participants with Deferred Benefits</b>	Number	678	625
	Average Age	63.22	63.03
<hr/>			
<b>Retirees, Dependents and Surviving Spouses</b>	Retirees	3,914	3,892
	Average Age for Retirees	72.28	72.21
	Surviving Spouses	949	876
	Average Age for Surviving Spouses	78.59	78.91
	Total	4,863	4,768

<sup>1</sup> Counts reflect Energy West Union terminations/retirements through November 22, 2013.

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# Appendix A

## Statement of actuarial assumptions and methods

### Plan Sponsor

PacifiCorp

### Statement of Assumptions

The assumptions disclosed in this Appendix are for the fiscal year ending December 31, 2013 disclosure and the fiscal year 2014 expense.

### Economic assumptions:

#### Interest rates

- Discount Rate 4.90%
- Return on Assets 7.50%

### Demographic assumptions:

#### Mortality

For all participants, the prescribed mortality assumption under Section 430(h)(3)(A) of the Internal Revenue Code using static tables with separate mortality rates for annuitants and non-annuitants.

#### Termination

Sample rates at which participants are assumed to terminate are shown below:

	PacifiCorp Excluding Energy West Union					Energy West Union
	Years of Service					
Age	0	1	2	3	4+	
25	20.82%	11.74%	8.96%	8.40%	7.20%	5.15%
40	23.48%	10.73%	9.10%	8.39%	4.20%	2.65%
50	17.47%	9.48%	7.12%	5.98%	3.60%	2.13%

**Retirement**

Retirement Rates		
Age	PacifiCorp Excluding Energy West Union	Energy West Union
50	2.00%	2.50%
51	2.00%	2.50%
52	2.00%	2.50%
53	3.00%	2.50%
54	3.00%	2.50%
55	5.00%	15.00%
56	5.00%	7.50%
57	5.00%	7.50%
58	5.00%	7.50%
59	10.00%	7.50%
60	10.00%	7.50%
61	15.00%	25.00%
62	20.00%	75.00%
63	20.00%	75.00%
64	30.00%	75.00%
65	40.00%	100.00%
66	30.00%	100.00%
67	100.00%	100.00%
68	100.00%	100.00%
69	100.00%	100.00%
70	100.00%	100.00%

**Life Insurance Administrative Expense**

An assumption for life insurance plan administrative expenses was added in the amount of 20% of the cost of life insurance.

**Health Care Cost Trend Rates**

The expected annual rates of increase for expenses covered by the plan are shown below:

2014 Trend Rate	8.00%
Ultimate Trend Rate	5.00%
Year of Ultimate Trend Rate	2019

### 2014 Age 65 Annual Health Care Costs

Not applicable for non-Energy West Union groups, defined dollar limit is assumed to apply for all plans.

2014 Age 65 Annual Health Care Costs <sup>1</sup>		
Energy West Union		
	Pre 9/1/1994 Retirees	Post 9/1/1994 Retirees
<b>Pre-65</b>		
Medical	\$20,387	\$13,685
Rx Drug	13,209	8,884
Total	\$33,596	\$22,569
<b>Post-65</b>		
Medical	\$2,300	\$2,061
Rx Drug	5,760	4,908
Total	\$8,060	\$6,969

<sup>1</sup>Includes administrative expenses and vision costs

### Excise Tax Thresholds

2018 Threshold	
Individual	Family
\$11,850	\$30,950

**Morbidity**

**Assumed increase in medical cost for each one year increase in age:**

<b>Age</b>	<b>Medical</b>	<b>Rx Drug</b>
<55	3.00%	5.50%
55-59	4.00%	4.00%
60-64	4.00%	3.00%
65-69	3.00%	2.50%
70-74	2.50%	2.00%
75-79	2.00%	1.00%
80-88	1.00%	1.00%
89+	0.00%	0.00%

**Medicare Prescription Drug Federal Subsidy**

Energy West Union participants are projected to be eligible for the subsidy indefinitely. The subsidy is estimated to be 16% of prescription drug costs.

**Anticipated Plan Participation**

*Energy West Union* - 100% of the current active employees who retire are expected to participate in the plan.

*Non-Energy West Union* - 95% participation is assumed. 85% are assumed to enroll immediately upon retirement; 10% are assumed to defer enrollment to age 61 (or current age if over age 61). For retirees currently deferring coverage, 80% enroll in coverage at age 61 (or current age if over 61). Retirees are assumed never to enroll if they are still deferring coverage at age 70.

**Marriage**

For purposes of valuing the pre-retirement surviving spouse's benefit, 80% of male eligible participants and 50% of female eligible participants are assumed to be married and male spouses are assumed to be 3 years older than female spouses. Actual data was used for current retirees.

## **Cost Method**

Costs are determined using the Projected Unit Credit Actuarial Cost Method. The annual service cost is equal to the present value of the portion of the projected benefit attributable to service during the upcoming year, and the accumulated postretirement benefit obligation (APBO) is equal to the present value of the portion of the projected benefit attributable to service before the valuation date. Service from hire date through the expected full eligibility date is counted in allocating costs.

## **Asset Method**

The market-related value of assets was calculated as follows:

1. The fair value of assets on the valuation date, less
2. The following percentages of gains and losses of the fair value of assets:
  - 80% of prior year
  - 60% of the second prior year
  - 40% of the third prior year
  - 20% of the fourth prior year

## **Participant Data**

Participant data was supplied by the employer as of the census date.

## **Census Date/Measurement Date**

The measurement date is December 31, 2013. For purposes of determining benefit obligations as of the measurement date, participant data as of the census date, January 1, 2013, are used for all groups except Energy West Union. Energy West Union data has been updated to reflect actual termination/retirement experience through November 22, 2013.

## **Amortization of Net Gain or Loss**

Net loss (gain) in excess of 10% of the greater of PBO or market-related value of assets is amortized on a straight-line basis over the expected average remaining service of active participants expected to benefit under the plan.

## **Amortization of Net Prior Service Cost/(Credit)**

Increase in PBO resulting from a plan amendment is amortized on a straight-line basis over the expected average remaining service of active participants expected to benefit under the plan. Decrease in PBO first reduces any unrecognized prior service cost on a FIFO basis; any remaining amount is amortized on a straight-line basis as described above.



## Benefits Not Included in Valuation

All benefits described in the plan provisions section of this report were valued.

## Nature of Actuarial Calculations

The results documented in this report are estimates based on data that may be imperfect and on assumptions about future events. Certain plan provisions may be approximated or deemed insignificant and therefore are not valued. Assumptions may be made about participant data or other factors. Reasonable efforts were made in this valuation to ensure that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and not excluded or included inappropriately. We believe that the use of approximations in our calculations has not resulted in a significant difference relative to the results we would have obtained by using more detailed calculations.

A range of results, different from those presented in this report could be considered reasonable. The numbers are not rounded, but this is for convenience only and should not imply precision, which is not inherent in actuarial calculations.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as:

- plan experience differing from that anticipated by the economic or demographic assumptions
- changes in economic or demographic assumptions
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost based on the plan's funded status)
- changes in plan provisions or applicable law
- significant events since last actuarial valuation.

## Significant Events since Last Actuarial Valuation

None.

### **Changes in Assumptions and Methods since Last Actuarial Valuation**

- The discount rate was increased from 4.10% to 4.90% to better reflect current market conditions.
- Health care cost trend rates were changed to 8.00% in 2014 grading down to an ultimate rate of 5.00% in 2019.
- The mortality table has been updated to the current valuation year.
- The Medicare Prescription Drug Federal Subsidy assumption was changed from 23% of prescription drug costs to 16% of prescription drug costs for Energy West Union.
- The 2018 excise tax thresholds were reduced to \$11,850 for individuals and \$30,950 for families.

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# Appendix B

## Summary of principal plan provisions

### **PacifiCorp Plan (Including Energy West Nonunion, Glenrock Coal and Bridger Coal)**

#### **Participant Groups**

##### **Age and Service Retirees/Survivors**

Nonunion employees who retire on or after January 1, 1991, or union employees who retire on or after April 1, 1992.

##### **Grandfathered Retirees/Survivors**

Nonunion employees who retired before January 1, 1991, or union employees who retired before April 1, 1992.

#### **Postretirement Life Insurance**

##### ***Age and Service Retirees***

##### **Eligibility**

Retirement after age 55 with five years of service, or displaced prior to age 55 with at least 75 age and service points.

##### **Benefit Amount**

Basic Option — \$10,000.

Other Option — Lesser of \$200,000 or one times preretirement salary rounded to the next higher \$25,000.

##### **Employee Contributions**

Basic Option — \$0.35/\$1,000 per month.

Other Option — Varies by age (no employer subsidy).

## **Grandfathered Retirees**

### **Eligibility**

Retirement after age 55 with five years of service.

### **Benefit Amount**

Basic Option — \$10,000.

Other Option — 0.5, 1.0, 1.5, 2.0, and 2.5 times preretirement salary. For 2.5 times preretirement salary, benefit reduces proportionately from ages 66 through 70 until benefit is no greater than one times preretirement salary or \$20,000, if higher. For Local 57 members with 2.0 times preretirement salary, benefit reduces proportionately from ages 66 through 70 until benefit is no greater than the lesser of \$40,000 or one times preretirement salary (with a \$20,000 minimum). For all other options, benefit reduces to one times preretirement salary at age 65.

### **Employee Contributions**

Basic Option — Free.

Other Option — \$0.35/\$1,000 per month.

## **Medical Plan**

### **Eligibility**

Retirement after age 55 with five years of service (10 years for Local 125 members hired after 1/1/2006, nonrepresented employees hired on or after 7/1/2006, Locals 57 [excluding Combustion Turbine Generation Plants and Laramie], 127 and 197 members hired on or after 1/1/2007, Local 659 members hired on or after 1/1/2008, Local 57 Laramie members hired on or after 6/26/2009 and Bridger Coal Local S1978 members hired on or after 3/25/2011). Termination between ages 50 and 55 with 15 or more years of service. Displaced employees with 75 or more points who terminate any time prior to age 55.

### **Dependents**

Spouse and unmarried children under age 19 (23 if a full-time student or full-time church missionary).

### **Survivors**

Eligibility continues beyond retiree's death.

## Medical Plan (cont.)

### PacifiCorp Subsidy

#### Age and Service Retirees/Survivors

The following table applies to pre-65 benefits for retirees. Pre-65 retirees will receive the lesser of 100% of the monthly premium or the defined dollar limit provided below.

Subsidy for Med Adv PPO \$400 plan is determined at the Med Adv PPO \$300 level, and thus retirees pay the full incremental cost of the Med Adv PPO \$400 over Med Adv PPO \$300.

Defined Dollar Limit			
Age+ Service	Retired Before January 1, 2000	Retired Between January 1, 2000 and December 31, 2006	Retired on or After January 1, 2007
90	\$ 459	\$ 459	\$ 450
85	\$ 408	\$ 408	\$ 400
ERW <sup>1</sup>	\$ 383	N/A	N/A
80	\$ 357	\$ 357	\$ 350
75	\$ 306	\$ 306	\$ 300
70	\$ 255	\$ 255	\$ 250
65	\$ 204	\$ 204	\$ 200
60	\$ 0	\$ 0	\$ 0

<sup>1</sup> Participants who retired during the 1998 Early Retirement Program.

## Medical Plan (cont.)

The following applies to post-65 benefits for retirees.

The company will provide an annual Health Reimbursement Account (HRA) contribution for each covered adult, available for retirees to apply against premiums or eligible out-of-pocket medical expenses.

Annual HRA Contribution			
Age+ Service	Retired Before January 1, 2000	Retired Between January 1, 2000 and December 31, 2006	Retired on or after January 1, 2007
	Post-65	Post-65	Post-65
90	\$3,150	\$1,610	\$1,575
85	\$2,800	\$1,430	\$1,400
ERW <sup>1</sup>	\$2,625	N/A	N/A
80	\$2,450	\$1,255	\$1,225
75	\$2,100	\$1,070	\$1,050
70	\$1,750	\$ 895	\$ 875
65	\$1,400	\$ 715	\$ 700
60	\$0	\$0	\$0

<sup>1</sup> Participants who retired during the 1996 Early Retirement Program

## Health Reimbursement Account (HRA)

Local 659 IBEW members who retire under the current Collectively-Bargained Agreement (CBA) and on or after August 25, 2003, and Local 125 IBEW members who retire under the current CBA and on or after September 5, 2003, with unused sick leave are credited with 65% of the dollar value of the unused sick leave to their HRA, which may be used to pay their contributions for medical coverage under the plan.

## Exclusions

No PacifiCorp subsidy is provided for the following groups of participants:

- Participants who terminate between ages 50 and 55 with 15 or more years of service.
- Nonunion employees hired on or after July 1, 2006.
- Local 57 members hired on or after January 1, 2007, excluding Combustion Turbine Generation Plants and Laramie.
- Local 57 members at Combustion Turbine Generation Plants hired on or after January 1, 2008.

### Medical Plan (cont.)

- Local 125 members hired on or after October 1, 2008.
- Local 127 and 197 members hired on or after January 1, 2010.
- Bridger Coal Local S1978 members hired on or after March 25, 2011.

No post-65 PacifiCorp subsidy is provided for the following groups of participants:

- Local 125 members hired on or after January 1, 2006.
- Local 127 and 197 members hired on or after January 1, 2007.
- Local 659 members hired on or after January 1, 2008.

### Grandfathered Retirees

Plan	Retiree Only 2012 Monthly Contribution	Retiree + Spouse 2012 Monthly Contribution
<b>Under 65</b>		
PPO Plan	\$ 30	\$ 36
\$400 Deductible	\$ 40	\$ 55
HMO Plans	\$ 50	\$ 71
CDHP	\$ 0	\$ 0
<b>Over 65</b>		
Kaiser	\$ 25	\$ 35
CDHP	\$ 0	\$ 0

The company will provide an annual Health Reimbursement Account (HRA) contribution of \$3,500 for each Medicare-eligible covered adult, available for retirees to apply against premiums or eligible out-of-pocket medical expenses.

### Grandfathered Survivors

PacifiCorp subsidy is 80% of the monthly premium for Pre-65 survivors and the same schedule as retirees for Post-65 survivors.



## Energy West Union Medical Plan

### Eligibility

Retirement with Energy West after age 55 with 10 years of United Mine Workers of America (UMWA) service. Termination after 20 years of UMWA service if no subsequent UMWA employer (coverage deferred to later of age 55 or actual retirement).

### Dependents

Spouse and unmarried children under age 26.

### Contributions

None.

### Pre-65 Benefits

\$5 copayment for outpatient services and physician visits, up to \$100 per year per family. All other services covered at 100%.

### Post-65 Benefits

Same as pre-65, but integrated with Medicare on a coordination-of-benefits basis.

### Prescription Drug Plan

\$5 copayment per prescription, up to \$50 per year per family for the pre-9/1/1994 retirees (no out-of-pocket maximum for the post 9/1/1994 retirees).

### Vision Plan

Benefits are based on the following schedule, with benefits limited to once every 24 months.

Benefit	Maximum
Examination	\$ 24
Per Lens (maximum 2)	
Single	\$ 12
Bifocal	\$ 18
Trifocal	\$ 24
Lenticular	\$ 30
Contact	\$ 18
Frames	\$ 17

## **NERCO Plan**

Same as PacifiCorp Grandfathered Retirees Plan.

### **Changes in Plan Provisions Since Prior Year**

None

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2. Recipient is responsible for its own due diligence with respect to all matters relating to this report.

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