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August 6, 2008

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission  
550 Capitol Street NE, Ste 215  
Salem, OR 97301-2551

Attn: Vikie Bailey-Goggins, Administrator  
Regulatory and Technical Support

**Re: Docket No. UE 199 - PacifiCorp's 2009 Transition Adjustment Mechanism  
Replacement Page to Rebuttal Testimony of Mark R. Tallman**

Enclosed for filing by PacifiCorp (dba Pacific Power) is an original and five copies of a replacement page to Exhibit PPL/400, the Rebuttal Testimony of Mark R. Tallman, in the above-referenced matter. A redlined version showing the corrections is also enclosed.

Please direct informal correspondence and questions regarding this filing to Joelle Steward, Regulatory Manager, at (503) 813-5542.

Very truly yours,

A handwritten signature in black ink that reads "Andrea L. Kelly" followed by a stylized monogram or flourish.

Andrea L. Kelly  
Vice President, Regulation

Enclosures

cc: UE 199 Service List

## CERTIFICATE OF SERVICE

I hereby certify that on this 6<sup>th</sup> day of August, 2008, I caused to be served, via E-Mail and Overnight Delivery (to those parties who have not waived paper service), a true and correct copy of the foregoing document on the following named person(s) at his or her last-known address(es) indicated below.

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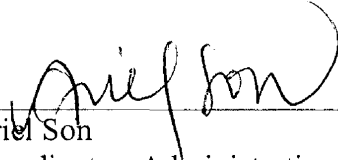
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Ariel Son  
Coordinator, Administrative Services

1 whether a project is cost effective. Capacity factor is just one element of determining  
2 the cost-effectiveness of a project. Moreover, the 35 percent capacity factor in the  
3 IRP represents a target for the Company's total renewable portfolio. By definition,  
4 some projects will have higher capacity factors than 35 percent and some lower.  
5 Again, the critical determination is cost effectiveness, not merely capacity factor.

6 **Q. Does Staff's set of assumptions and conclusions fail the sensibility test?**

7 A. Yes, for all of the reasons demonstrated above. In addition, Staff's back-door  
8 prudence disallowance fails to examine any factor other than capacity factor.

9 **Q. What economical aspects does Staff fail to examine with respect to the Rolling  
10 Hills project?**

11 A. For example, Staff fails to account for the fact that since the Company owns the land,  
12 third party leasing costs will be avoided and a savings of approximately \$12.2 million  
13 over the 25-year life of the project can reasonably be expected. Indeed, this cost  
14 avoidance is in perpetuity, which means the Company will successfully avoid more  
15 than seven times this amount over the next 100-years (approximately \$91 million or  
16 more).

17 **Q. What other economic factors did Staff fail to consider?**

18 A. Staff fails to account for the fact that the Company is advancing the Rolling Hills  
19 wind project for the express purpose of adding a renewable resource to the portfolio  
20 that can take advantage of the federal production tax credit and hedge against  
21 construction and equipment costs that are rising at multiples of inflation. Indeed, the  
22 value of the federal production tax credit to customers is approximately \$98 million.

1 whether a project is cost effective. Capacity factor is just one element of determining  
2 the cost-effectiveness of a project. Moreover, the ~~3538~~ percent capacity factor in the  
3 IRP represents a target for the Company's total renewable portfolio. By definition,  
4 some projects will have higher capacity factors than ~~3538~~ percent and some lower.  
5 Again, the critical determination is cost effectiveness, not merely capacity factor.

6 **Q. Does Staff's set of assumptions and conclusions fail the sensibility test?**

7 A. Yes, for all of the reasons demonstrated above. In addition, Staff's back-door  
8 prudence disallowance fails to examine any factor other than capacity factor.

9 **Q. What economical aspects does Staff fail to examine with respect to the Rolling  
10 Hills project?**

11 A. For example, Staff fails to account for the fact that since the Company owns the land,  
12 third party leasing costs will be avoided and a savings of approximately ~~\$12.2~~<sup>\$128</sup>  
13 million over the 25-year life of the project can reasonably be expected. Indeed, this  
14 cost avoidance is in perpetuity, which means the Company will successfully avoid  
15 more than seven~~four~~ times this amount over the next 100-years (approximately  
16 ~~\$91~~<sup>\$551</sup> million or more) ~~and this 100-year value would have the effect of equaling a~~  
17 ~~like project with over a 45 percent capacity factor located on leased land.~~

18 **Q. What other economic factors did Staff fail to consider?**

19 A. Staff fails to account for the fact that the Company is advancing the Rolling Hills  
20 wind project for the express purpose of adding a renewable resource to the portfolio  
21 that can take advantage of the federal production tax credit and hedge against  
22 construction and equipment costs that are rising at multiples of inflation. Indeed, the  
23 value of the federal production tax credit to customers is approximately \$98 million.