Q. **Please state your name, business address and present position with PacifiCorp (the Company).**

A. My name is Mark R. Tallman, my business address is 825 NE Multnomah, Suite 2000, Portland, Oregon 97232, and my present position is Managing Director of Renewable Resource Acquisition.

Q. **How long have you been the Managing Director of Renewable Resource Acquisition?**

A. I have been the Managing Director of Renewable Resource Acquisition since April 2006. Prior to that date I held the position of Managing Director of Front Office from September 2003 to April 2006. Prior to being the Managing Director of Front Office, I worked in the Origination Department, first as an Originator (beginning March 1995), then as the Manager of Origination (beginning January 1999), then as the Director of Origination (beginning September 2000) and finally as the Managing Director of Trading & Origination, Commercial & Trading (beginning September 12, 2003).

Q. **What did you do before working in the wholesale side of PacifiCorp's business?**

A. I served in a variety of roles in PacifiCorp's engineering and retail distribution organizations, including five years as a District Manager. I have worked at PacifiCorp for more than 20 years.

Q. **Please describe your educational history.**

A. I have a Bachelor of Science degree in Electrical Engineering from Oregon State University and a Masters of Business Administration from City University. I am also a Registered Professional Engineer in the states of Oregon and Washington.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide information regarding the prudence of the Company's long-term supply-side resource acquisitions for the west control area since 2000.

Q. Would you please summarize your testimony in this proceeding?

A. My testimony will demonstrate the prudence of the Company's acquisition of the following supply-side resources: the power purchase agreement (PPA) with Eurus Oregon Wind Power Development LLC (Eurus), the purchase of the Leaning Juniper 1 wind resource from Leaning Juniper Wind Power, LLC, (Leaning Juniper 1), and the contracts that replace PacifiCorp's PPAs with Grant County Public Utility District (Grant) associated with the Priest Rapids and Wanapum dams located on the Mid-Columbia. PacifiCorp's rights associated with the Priest Rapids and Wanapum dams are two resources typically included when PacifiCorp and other stakeholders generically refer to PacifiCorp's "Mid-C contracts."

Eurus Resource

Q. Please describe the Eurus resource.

A. The Eurus resource, also known as the Combine Hills I Project, is a long-term PPA for the purchase of energy generated by a wind plant for delivery to PacifiCorp's 69 kV transmission system in East Walla Walla Valley, Oregon. PacifiCorp's transmission system in this area serves the Company's end-use load in and around Pendleton, Oregon and Walla Walla, Washington. The project site itself is primarily located within PacifiCorp's service territory.

Q. Who is Eurus?

A. Eurus is a wholly owned subsidiary of Eurus Energy America Corporation, which in turn, is a subsidiary of Eurus Energy Holdings Corporation, a joint venture between Tokyo Electric Power Company and Tomen Corporation.

Q. What is the term and amount of the Eurus PPA?

A. The Eurus PPA is for up to 41 MW of wind generation capability and has a term that expires 20 years following the project's commercial operation date, or December 22, 2023. PacifiCorp entered into the Eurus PPA on June 17, 2003. The PPA resulted from a Request for Proposals (RFP) by the Energy Trust of Oregon (Energy Trust). Under the agreement, PacifiCorp purchases the energy generated by the project and the Energy Trust purchases the renewable resource attributes or "green tags." The Energy Trust then assigns the green tags to PacifiCorp to hold on behalf of Oregon customers.

Q. Who is the Energy Trust?

A. In 1999, Oregon's legislature established a 3 percent system charge for the benefit of investor-owned utility customers in Oregon. The purpose of the funds is to promote conservation programs and the development of renewable resources. The Energy Trust is a non-profit corporation under contract to the Oregon Public Utility Commission to administer the collected funds.

Q. What wind turbines generate the energy purchased under the Eurus PPA?

A. Eurus installed Mitsubishi MWT-1000A one (1) megawatt turbines.

Q. What information was provided to the Board of Directors in connection with the Eurus resource acquisition?

A. Included as Exhibit No.___(MRT-2C) is the Board presentation from its February, 2003 meeting regarding the decision to enter into the PPA with Eurus. A subcommittee of the Board subsequently approved the final terms of the transaction.

Q. Please describe the benefits of this resource to Washington customers.

A. This project benefits Washington customers as it provides power at a cost equal to the expected long-term market. Under the Energy Trust agreement, "above market" costs were funded by the Energy Trust by virtue of their green tag purchase. As such, PacifiCorp is able to purchase energy at market and have it delivered directly to that portion of PacifiCorp's transmission system that also serves end-use load in and around Walla Walla, Washington.

Q. What other benefits does the Eurus PPA provide?

A. In addition, the energy associated with the Eurus PPA constitutes a renewable resource. As such, the resource does not create emissions when generating energy and provides PacifiCorp with valuable operational experience in preparation for satisfaction of any applicable renewable portfolio standards that may be enacted.

Q. How does the Integrated Resource Plan address wind resources?

A. The 2003 Integrated Resource Plan demonstrated that wind resources can be expected to have "an overall positive impact to the system costs and reductions to emissions and supports the continued pursuit of greater understanding of integrating renewables as part of the future resource mix" (page 125 of

PacifiCorp's 2003 Integrated Resource Plan). The 2003 Integrated Resource Plan includes wind resources as part of a prudent and balanced resource mix.

Leaning Juniper 1 Resource

Q. Please describe the Leaning Juniper 1 resource.

A. Leaning Juniper 1 is a wind resource located about three miles southwest of Arlington, Oregon. PacifiCorp owns the assets, all output and all interconnection rights (up to the project's 100.5 megawatts capability). Ongoing operations, warranty, and general maintenance services will be performed by Leaning Juniper Wind Power LLC (a PPM Energy affiliate), under a negotiated two-year contract.

Q. Please provide additional detail about Leaning Juniper 1.

A. Leaning Juniper 1 is a 100.5 megawatt wind energy generation facility, consisting of 67 General Electric 1.5 megawatt SLE 60 hertz wind turbine generators. The turbines have 80 meter tubular towers and a 77 meter rotor diameter. The project includes above-ground and underground electric cable, fiber optic communication cable, approximately twenty miles of turbine access roads, two permanent meteorological towers, one collector substation, one supervisory control and data acquisition system, and one operation and maintenance building.

Q. How will energy generated by Leaning Juniper 1 be delivered?

A. The energy generated by the project will be delivered to the project's substation which connects to the Jones Canyon substation that was built by the Bonneville Power Administration (BPA), then to BPA's transmission system. Energy from the project is then transmitted across BPA's transmission system for delivery into PacifiCorp's system, typically at or near PacifiCorp's load in and around the

Yakima Valley in central Washington.

Q. What information was provided to the President of PacifiCorp Energy and the CEO of PacifiCorp in connection with the Leaning Juniper 1 resource acquisition?

A. Included as Exhibit No.___(MRT-3C) is the President and CEO presentation from July 12, 2006, regarding the decision to purchase Leaning Juniper 1. The President of PacifiCorp Energy approved the purchase on July 13, 2006 and the CEO of PacifiCorp approved the purchase on July 18, 2006.

Q. Please describe the benefits of this resource to Washington customers.

A. This resource will benefit Washington customers as it is cost effective. As shown in Exhibit No.___(MRT-3C), the project is expected to lower both net power costs and revenue requirement over its design life.

Q. What other benefits are associated with the Leaning Juniper 1 acquisition?

A. This project further benefits Washington customers as it constitutes a renewable resource. As such, the resource does not create emissions as it generates energy and produces green tags. A portion of these green tags can then be used to satisfy the requirements of any applicable renewable portfolio standards and, like the Eurus PPA, the resource itself provides PacifiCorp with additional operational experience with renewable resources.

Q. What process did the Company follow in making the Leaning Juniper 1 acquisition?

A. The resource was acquired as a result of PacifiCorp's renewable resource RFP, designated RFP 2003-B, issued in February 2004 to acquire up to 1,100 MW of renewable resources. The Company's 2003 IRP had identified 1,400 MW of renewable resources as part of a least-cost portfolio of resources to meet the Company's growing demand over a ten-year period. Following the acquisition of PacifiCorp by MidAmerican Energy Holdings Company, PacifiCorp amended RFP 2003-B and Leaning Juniper 1 was the result of that amended activity.

Q. How did Leaning Juniper 1 compare in the 2003-B process?

A. PacifiCorp considered nearly twenty competing offers via the RFP 2003B process that served as alternatives to the Leaning Juniper 1 wind plant. The Leaning Juniper 1 wind plant is the most economic offer received and should be considered at or below market for a similarly situated resource. Alternative resource technologies were considered via PacifiCorp's Integrated Resource Plan. The Integrated Resource Plan established a preferred portfolio that consists of 1,400 megawatts of economic renewable resources, including wind.

Q. What is the status of the remaining bids submitted in the RFP 2003-B?

A. The Company retains several opportunities on our short list for continuing negotiations in pursuit of our target to add 400 MW of economic renewable resources to PacifiCorp's portfolio by December 31, 2007.

Q. How does the Integrated Resource Plan address wind resources?

A. The 2004 Integrated Resource Plan characterizes wind energy as having only minor impacts on the environment and producing no air pollutants or greenhouse gasses (page 94 of PacifiCorp's 2004 Integrated Resource Plan). The 2004 Integrated Resource Plan includes wind resources as part of a prudent and balanced resource mix.

Grant Resources

Q. Please describe PacifiCorp's past contractual relationship with Grant.

A. PacifiCorp originally entered into PPA contracts during the 1950s with Grant to purchase a portion of output associated with the Priest Rapids and Wanapum dams respectively. PacifiCorp was many of such purchasers, including other investor-owned utilities. These original PPA contracts provided for PacifiCorp to purchase 13.9 percent (131 MW) of capacity and associated energy from the 939 MW Priest Rapids dam and 18.7 percent (194 MW) of capacity and associated energy from the 1,038 MW Wanapum dam. The Priest Rapids PPA expired on October 31, 2005 and the Wanapum PPA expires on October 31, 2009.

Q. Please describe the process that resulted in PacifiCorp being offered the New Grant Contracts.

A. PacifiCorp and the other purchasers held certain rights under the original Priest Rapids and Wanapum PPAs for the continued purchase of power from those assets. When Grant renewed its Federal Energy Regulatory Commission (FERC) license, FERC upheld these rights and, through a combination of FERC direction and in an attempt to secure an ongoing FERC license to operate the dams, Grant offered the purchasers (including PacifiCorp) the New Grant Contracts. These new proforma contracts were standardized in form by Grant, regardless of the size of purchase. As a result of these new contract offerings, PacifiCorp entered into multiple agreements with Grant on December 31, 2001.

Q. Please describe the new contracts with Grant that replace the Priest Rapids PPA and the Wanapum PPA.

A. The agreements that replace the Priest Rapids PPA and the Wanapum PPA are: (1) the reasonable portion power sales contact (Reasonable Portion PSA); (2) the additional product contract (Additional Product Contract); and (3) the product sales contract (Product Sales Contract). Collectively, these agreements (the New Grant Contracts) succeeded PacifiCorp's original Priest Rapid PPA upon its termination and will succeed PacifiCorp's Wanapum PPA upon its termination on October 31, 2009. The term of the New Grant Contracts is for the duration of the replacement FERC operating license that Grant is able to secure.

Q. What aspect of these contracts are included in this docket?

A. In this docket, PacifiCorp has included that portion of the New Grant Contracts related to the Priest Rapids dam. The Wanapum dam PPA is included in this docket pursuant to its original contract rights since that PPA has yet to expire. Upon expiration of the Wanapum dam PPA, the purchase amounts pursuant to the New Grant Contracts will increase.

Q. Please describe the power that PacifiCorp expects to receive under the New Grant Contracts.

A. PacifiCorp expects to receive approximately 800,000 MWhs per year (91 aMW) in the years 2006 through 2008 and approximately 1,500,000 MWhs per year (171 aMW) beginning in 2009. After 2009, the amount declines as Grant's load grows.

Q. Please describe the Reasonable Portion PSA.

A. The Reasonable Portion PSA provides financial benefits to PacifiCorp based on the difference between market and the cost to own and operate the Priest Rapids and Wanapum dams.

Q. How is "market" established under the Reasonable Portion PSA?

A. As a result of FERC's direction, Grant is obligated to offer a certain amount of power to the market based on a FERC filed marketing plan. As Grant makes these offerings, it establishes "market" for the purposes of the Reasonable Portion PSA. It is expected that Grant will initially make these offerings in terms that range from one to five years.

Q. Please describe the Grant Product Sales Contract.

A. The Product Sales Contract with Grant provides PacifiCorp with physical power on both a firm basis (termed Surplus Firm in the contract) and on a non-firm basis (termed Surplus non-Firm in the contract). The Surplus Firm concept is determined by the amount of firm capacity associated with the projects during a critical water year and the Surplus non-Firm concept is determined by that amount of capacity and associated energy available during non-critical water years. In addition, the Product Sales Contract includes a concept called "Displacement." The Displacement category is intended to flow the benefit, if any, through to purchasers of any preference power to which Grant has access from BPA.

Q. Please describe the Grant Additional Product Contract.

A. The Additional Product Contract provides non-firm energy to PacifiCorp that is associated with the Surplus Firm power.

Q. What information was provided to PacifiCorp's CEO in connection with the New Grant Contracts?

A. Included as Exhibit No.___(MRT-4C) is the document provided to PacifiCorp's CEO on December 27, 2001 summarizing the New Grant Contracts. On December 28, 2001, PacifiCorp's Board of Directors held a special meeting and approved the New Grant Contracts for execution. PacifiCorp executed the New Grant Contracts on December 31, 2001.

Q. Please describe the benefits of this resource to Washington customers.

A. This resource will benefit Washington customers as it is cost effective. As demonstrated in Exhibit No.___MRT-4C), the New Grant Contracts are estimated to have a greater beneficial net present value when compared to Grant's initial contractual offer (made in May 2001).

Q. What other benefits are associated with the New Grant Contracts?

A. The New Grant Contracts continue to provide a combination of both physical and financial benefits to PacifiCorp's customers. In particular, the physical aspect of these resources help PacifiCorp to reliably meets its load service obligation by providing flexible resources. These resources help retain ancillary service capabilities, pondage, and scheduling flexibility. These resources are located in Washington and such flexibility is especially important as PacifiCorp integrates resources such as Leaning Juniper 1, the Eurus PPA, and other expected similar resources.

Q. Subsequent to execution, what action did PacifiCorp take with respect to the Additional Product Contract?

A. PacifiCorp and Grant agreed to terminate the Additional Product Contract and amend the Product Sales Contract, increasing PacifiCorp's rights to Surplus Firm and Surplus non-Firm power under that contract. All purchasers took similar action with Grant.

Q. Why did Grant and PacifiCorp pursue the conversion?

A. The New Grant Contracts are significantly more complicated than the original PPAs dating back to the 1950s. Two of the components under the Product Sales Contract (the Surplus Firm and Surplus non-Firm), when added together, look much like the original contract in that they provide PacifiCorp with all aspects of a certain percentage of project output, including attributes such as all ancillary service capabilities, pondage, and scheduling flexibility. In addition, Grant and the purchasers (other entities that have contracts identical to PacifiCorp's) have recognized administrative, scheduling, and billing issues associated with implementing the complexity of the Additional Product Contract related to the Product Sales Contract.

Q. What was the rate used to convert expected energy purchases under the Additional Product Contract to increased purchases under the Product Sales Contract?

A. Grant and the purchasers negotiated a conversion rate of eight (8) units of purchase rights under the Additional Products Contract in exchange for one (1) unit of purchase rights under the Product Sales Contract. This resulted in

PacifiCorp receiving approximately 2 MW of additional Surplus Firm power under the Product Sales Contract.

Q. Is there an estimated incremental benefit to PacifiCorp customers?

A. Yes. As shown in Exhibit No.___(MRT-5C), PacifiCorp expects to receive more benefit on a net present value basis than continuing to purchase power via the Additional Product Contract.

Q. What information was provided to PacifiCorp's Senior Management regarding the termination of Additional Product Contract and amendment to Product Sales Contract?

A. Attached as Exhibit No.___(MRT-5C) is the presentation provided to Senior Management.

Q. What other benefits are associated with the termination of the Additional Product Contract?

A. The termination of the Additional Product Contract, and subsequent amendment to the Product Sales Contract, means that PacifiCorp has additional flexible resource to meet our load service obligations. The resource is located at a liquid market point (Mid-Columbia) and provides operational flexibility for PacifiCorp's load/resource balancing activities. Such flexibility is important from a reliability perspective as PacifiCorp's loads and resources vary over time. The conversion is also expected to ease the administration of the Grant contracts.

Q. Does this conclude your testimony?

A. Yes.