

1 **Q. Please state your name, business address and present position with**  
2 **PacifiCorp (“Company”).**

3 A. My name is Cindy A. Crane. My business address is 1407 West North Temple,  
4 Suite 310, Salt Lake City, Utah 84116. My position is Vice President, Interwest  
5 Mining Company and Fuel Resources for PacifiCorp Energy.

6 **Qualifications**

7 **Q. Briefly describe your business experience.**

8 A. I joined PacifiCorp in 1990 and have held positions of increasing responsibility,  
9 including Director of Business Systems Integration, Managing Director of  
10 Business Planning and Strategic Analysis and Vice President of Strategy and  
11 Division Services. My responsibilities have included the management and  
12 development of PacifiCorp’s 10-year business plan, assessing individual business  
13 strategies for PacifiCorp Energy, managing the construction of the Company’s  
14 Wyoming wind plants and assessing the feasibility of a nuclear power plant. In  
15 March 2009, I was appointed to my present position as Vice President of  
16 Interwest Mining Company and Fuel Resources. In my position I am responsible  
17 for the operations of Energy West Mining Company and Bridger Coal Company  
18 as well as overall coal supply acquisition and fuel management for PacifiCorp’s  
19 coal plants.

20 **Purpose and Summary**

21 **Q. What is the purpose of your testimony?**

22 A. I explain the Company’s overall approach to providing the coal supply for the  
23 Company’s coal plants.

1 **Q. Please summarize your testimony.**

2 A. My testimony:

- 3 • Explains the coal cost increases reflected in the 2011 Idaho general rate
- 4 case and describes the primary reasons for the increases;
- 5 • Provides background on the third-party coal contract revisions that are
- 6 driving the majority of the increase in coal costs in this case;
- 7 • Reviews the Company's affiliate mine coal costs and compares them to
- 8 other supply alternatives; and
- 9 • Reviews the Company's fuel stock levels incorporated in this test period.

10 **Overview of the coal supplies for the Company's coal plants**

11 **Q. How does the Company plan to meet fuel supplies for its coal plants in 2011?**

12 A. The Company employs a diversified coal supply strategy. For 2011, the Company

13 will meet approximately 70 percent of its fuel requirements from third-party

14 multi-year contracts and 30 percent with coal from the Company's affiliate mines.

15 **Q. What percentage of the Company's third-party coal contracts are fixed and**

16 **what percentage are indexed?**

17 A. In 2011, approximately 50 percent of the Company's third-party coal supply

18 contracts will be priced under fixed-price contracts and 50 percent will be priced

19 under contracts that escalate or de-escalate based on changes to producer and

20 consumer price indices.

21 **Q. Please identify the Company's affiliate mines.**

22 A. Coal production from the Company's Bridger mine is dedicated to the Jim

23 Bridger power plant. The Deer Creek mine supplies a portion of the coal

1 requirements for the Hunter and Huntington power plants and the Trapper mine is  
2 dedicated to the Craig power plant.

3 **Coal cost increases in 2011 Idaho General Rate Case**

4 **Q. Are coal costs in the 2011 Idaho General Rate Case above 2010 general rate**  
5 **case levels?**

6 A. Yes. Test period coal costs have increased from approximately \$685.3 million in  
7 the 2010 rate case, to \$697.6 million, an increase of \$12.3 million. The increase  
8 related to higher coal prices is approximately \$62.3 million; however, this  
9 increase is partially offset due to reduced coal-fired generation, which reduces  
10 2011 costs by approximately \$50 million.

11 **Q. Have average coal costs increased in this test period?**

12 A. Yes. Average test period coal costs have increased from \$27.88 per ton in 2010 to  
13 \$30.51 per ton in the 2011 test period, an increase of \$2.62 per ton.

14 **Q. What are the primary drivers of the \$62.3 million increase in coal prices in**  
15 **this case?**

16 A. Approximately \$9.2 million of the price related increase is associated with the  
17 affiliate mines; the remainder of the price related increase, approximately \$53  
18 million, is associated with third party coal purchases and transportation costs.

19 **Q. Please explain the increase associated with the affiliate mines.**

20 A. The increase is associated with higher operating costs at Bridge and Trapper  
21 mines. Bridger mine costs have increased from [REDACTED] per ton to [REDACTED] per ton,  
22 an increase of [REDACTED] per ton primarily due to reduced coal deliveries in 2011.  
23 Trapper mine costs have increased from [REDACTED] per ton to [REDACTED] per ton, an

1 increase of [REDACTED] per ton. The Trapper increase is due to wage escalation and  
2 higher material and supply costs.

3 **Q. Please summarize the major cost increases in third-party coal supplies.**

4 A. In 2011, the Company will experience third-party coal supply cost increases at all  
5 of the plants with the exception of the Carbon and Hayden power plants. A  
6 summary of these increases is as follows:

- 7 • The majority of Hunter and a portion of Huntington's fuel requirements  
8 are supplied by the Sufco mine under the Company's long-term coal  
9 supply agreement with Arch Coal Sales. Approximately [REDACTED] of  
10 the overall test period coal price increase is associated with an increase in  
11 the Sufco coal price pursuant to the 2011 contract price re-opener.
- 12 • A portion of Hunter and Carbon fuel requirements will be supplied by the  
13 West Ridge mine under a new coal supply agreement. The overall impact  
14 on test period results is approximately [REDACTED].
- 15 • The Company will experience an increase of approximately [REDACTED]  
16 in the delivered cost of Black Butte coal to the Jim Bridger power plant  
17 due to higher coal costs and higher Union Pacific rail rates.
- 18 • The Naughton power plant is supplied under a long-term coal supply  
19 agreement with Chevron Mining's Kemmerer mine. The contract price  
20 was reset effective July 2010 pursuant to a price re-opener provision. The  
21 overall impact on test period results is approximately [REDACTED].
- 22 • The Company will experience an increase of approximately [REDACTED]  
23 in Dave Johnston power plant costs as a result of fixed price increases

1 under the three multi-year coal supply agreements and higher rail rates.

2 • The Company will experience an increase of approximately [REDACTED]  
3 in Cholla power plant costs. The increase in current test period costs relate  
4 to the increased price of coal from Lee Ranch/El Segundo due to  
5 escalation of contract specific producer and consumer price increases  
6 under the coal supply agreement with Peabody and higher rail rates under  
7 the long-term rail agreement with the Burlington Northern Santa Fe.

8 • The Company will experience an increase of approximately [REDACTED]  
9 in Colstrip power plant costs as a result of increased operating costs under  
10 the long-term coal supply agreement with Westmoreland's Rosebud mine.

11 **Coal cost increases related to contract price-reopeners**

12 **Q Does the Arch Coal Sales (Arch) agreement for Sufco mine coal contain a**  
13 **2011 price re-opener?**

14 A. Yes, the Company's long-term coal supply agreement with Arch for Sufco allows  
15 the Company to extend the contract term through 2020 and contains several price  
16 re-openers. In June 2010, the Company exercised its right to extend the Sufco  
17 agreement for five years, 2011 through 2015. The contract provided for a price  
18 reset effective January 1, 2011. Pursuant to the contract terms, the Company and  
19 Arch exchanged prevailing market estimates in June 2010. Despite ongoing  
20 discussions, the parties were unable to reach an agreement.

21 **Q. What is the status of the price reset?**

22 A. Because the Company and Arch were unable to agree on pricing, quantity and  
23 quality of coal to be delivered during the 2011 – 2015 extension period, the

1 Company filed a lawsuit in November 2010 against Arch Coal Inc., Arch Coal  
2 Sales Co. and Canyon Fuels Company. Negotiations are ongoing as both  
3 companies attempt to reach a comprehensive settlement that addresses the 2011  
4 price reopener, coal quality specifications, coal volumes, and nominations.

5 **Q. Please explain what price is included in the 2011 test period.**

6 A. The Company utilized the pricing methodology proposed in the contract to  
7 estimate the 2011 Sufco coal price. However, one of the pricing components, the  
8 [REDACTED] index, has changed since the execution of long-term coal supply  
9 agreement. Because the Company and Arch have different interpretations of the  
10 current [REDACTED] index; the test period reflects the mid-point of the Company's  
11 and Arch's estimate for the [REDACTED] index. The test period Tier 1 coal price of  
12 [REDACTED] per ton represents a [REDACTED] per ton increase over the 2010 price of [REDACTED]  
13 per ton. Hunter and Huntington power plant coal costs are approximately [REDACTED]  
14 million higher in the current test period as a result of increased pricing under the  
15 Arch coal supply agreement.

16 **Q. Has the Company recently entered into other supply arrangements for Utah  
17 coal?**

18 A. Yes, in 2010, the Company executed a new coal supply agreement with Utah  
19 American Energy for coal from the West Ridge mine for 2011 through 2014 and  
20 with America West Resources, Inc. for coal from the Horizon mine for 2011  
21 through 2015, with an option to extend the contract an additional seven years  
22 through 2022. The West Ridge mine is the only other longwall operation in Utah  
23 not owned by Arch. West Ridge mine's high ash fusion temperature mitigates the

1 low ash fusion characteristics of Sufco coal that can contribute to boiler slagging.  
2 The Horizon mine, a continuous miner operation, will partially supply the Carbon  
3 plant's long-term coal needs.

4 **Q. How do these prices compare to current Utah coal prices?**

5 A. Favorably. The Sufco coal price is a delivered price at the Hunter power plant  
6 whereas other market transactions are normally priced at F.O.B. loadout.  
7 Currently, spot coal is being transacted for approximately [REDACTED] per ton or  
8 equivalent to [REDACTED] per ton at the Hunter power plant. Test period Sufco costs are  
9 approximately [REDACTED] per ton less than current spot coal prices. Similarly, F.O.B.  
10 mine test period costs for West Ridge coal and Horizon, are [REDACTED] per ton and  
11 [REDACTED] per ton, respectively.

12 **Q. Please explain the [REDACTED] million increase in Black Butte coal and Union  
13 Pacific Railroad costs.**

14 A. The delivered cost of Black Butte coal to the Jim Bridger power plant has  
15 increased from [REDACTED] per ton in 2010 to [REDACTED] per ton in 2011, a rise of [REDACTED]  
16 per ton. The majority of the cost increase is due to inclusion of 377,946 tons of  
17 carry-over tonnage in the 2010 general rate case. This carry-over tonnage, priced  
18 at [REDACTED] per ton F.O.B. mine, was associated with the 2003 Black Butte coal  
19 supply agreement. The 2003 coal supply agreement was extended into the first  
20 quarter of 2010 to allow for the make-up of the carry-over tonnage. Absent this  
21 carry-over tonnage, the 2010 test period delivered cost of Black Butte would have  
22 been [REDACTED] per ton rather than [REDACTED] per ton. Of the [REDACTED] million increase, the  
23 inclusion of the carry-over tonnage in the 2010 test period accounts for

1 approximately [REDACTED] million of the [REDACTED] million increase, escalation of rail rates  
2 under a long-term rail agreement with the Union Pacific Railroad accounts for  
3 [REDACTED] million, and escalation of contract specific producer and consumer price  
4 increases under the current Black Butte agreement constitute the remainder of the  
5 increase.

6 **Q. Please explain the [REDACTED] million cost increase under the Naughton contract.**

7 A. The delivered price of coal from the Kemmerer mine to the Naughton power plant  
8 has increased from [REDACTED] per ton in the prior test period to [REDACTED] per ton in  
9 2011. The increase is the result of escalation of contract specific producer and  
10 consumer price increases and the impact of a July 2010 contract price reopener.

11 **Q. Please discuss the Naughton supply arrangements.**

12 A. Originally, the Company's long-term coal supply agreement with Chevron  
13 Mining's Kemmerer mine extended through 2016 with a market price re-opener  
14 in January 2011. Due to [REDACTED] at the Kemmerer Mine, Chevron Mining  
15 requested that the Company consider advancing the market price re-opener date.  
16 In September 2010, the Company and Chevron Mining restructured the coal  
17 supply arrangement. In exchange for the [REDACTED] price commitment from  
18 Chevron Mining, the Company agreed to amend certain terms of the current coal  
19 supply agreement and enter into a new coal supply agreement for the term of 2017  
20 though 2021. The amended terms include advancing the effective date of the new  
21 price from January 2011 to July 2010, establishing contract minimums, and the  
22 inclusion of price resets. The price resets adjust the contract price to Chevron's  
23 actual mining costs, but allowed the Company to avoid the [REDACTED]

1 [REDACTED]. The new coal supply  
2 agreement provides for coal deliveries to the Naughton power plant from January  
3 2017 through December 2021 and pricing based on mine costs.

4 **Q. Please explain the [REDACTED] increase in Dave Johnston power plant coal**  
5 **supply costs.**

6 A. Dave Johnston's fuel requirements are supplied by three mines: Wyodak,  
7 Rawhide and Dry Fork. Annual fixed price increases under these multi-year coal  
8 supply agreements account for [REDACTED] of the cost increase; higher rail rates  
9 account for [REDACTED]. Rail rates adjust quarterly based on changes to contract  
10 specific indices per the Company's long-term rail agreement with the Burlington  
11 Northern Santa Fe Railway.

12 **Q. Please explain the [REDACTED] increase in Cholla power plant coal supply**  
13 **costs.**

14 A. The Company will experience an increase of approximately [REDACTED] in Cholla  
15 power plant costs. The increase in current test period costs relate to the increased  
16 price of coal from Lee Ranch/El Segundo due to escalation of contract specific  
17 producer and consumer price increases under the coal supply agreement with  
18 Peabody, [REDACTED], and higher rail rates, [REDACTED], under the long-term rail  
19 agreement with the Burlington Northern Santa Fe.

20 **Q. Please explain the [REDACTED] million increase in Colstrip power plant coal supply**  
21 **costs.**

22 A. The Colstrip plant is supplied under a long-term coal supply agreement with  
23 Westmoreland's Rosebud mine. Test period coal costs are per the approved

1 Annual Operating Plan prepared by Westmoreland and approved by the Colstrip  
2 plant owners. On an annual basis, the Colstrip plant owners' review and approve  
3 Rosebud's mine plan. Current test period costs are higher due to increases in labor  
4 and supply costs and, increased current reclamation expense and in-pit inventory  
5 levels.

6 **Coal costs related to the Company's affiliate mines**

7 **Q. Have Deer Creek mine costs increased from 2010?**

8 A. Deer Creek costs are expected to increase on a per ton basis, from [REDACTED] in 2010  
9 to [REDACTED] in 2011, but decrease on an mmbtu basis, from [REDACTED].  
10 Increases in material and supply and post-retirement expense are the primary  
11 drivers of the minimal cost increase. The increase in material and supply costs is  
12 associated with the transition of longwall operations from the Blind Canyon seam  
13 to the lower Hiawatha seam starting in December 2010. The reduction on a per  
14 mmbtu basis is due to the higher average heat content in 2011.

15 **Q. Please explain the change in Bridger Coal costs between 2010 and 2011.**

16 A. Bridger Coal Company costs increase from [REDACTED] per ton to [REDACTED] per ton, an  
17 increase of [REDACTED] per ton largely due to higher underground mining costs.  
18 Underground mine operating costs increased from [REDACTED] per ton to [REDACTED] per  
19 ton while surface operating costs increased from [REDACTED] per ton to [REDACTED] per ton.

20 **Q. What are the primary drivers for the increase in the underground mine**  
21 **costs?**

22 A. The increase in underground costs is due to several factors, including higher  
23 operating costs, reduced mine deliveries and increased manpower associated with

1 mine development, conveying and blending costs.

2 **Q. Please explain the mine production changes.**

3 A. 2011 test period underground mine deliveries are approximately 200,000 tons  
4 lower than the 2010 test period. The lower delivery level is the result of two  
5 longwall moves in 2011 versus only one longwall move in 2010.

6 **Q Please compare Bridger mine costs relative to other supply options.**

7 A. Bridger mine's average test period costs of [REDACTED] per ton remain less than any  
8 available market alternative. While Kiewit Mining currently has [REDACTED] tons of  
9 uncommitted Black Butte production capacity in 2011, the delivered cost of this  
10 uncommitted tonnage to the Jim Bridger power plant is approximately [REDACTED]  
11 in 2011. Similarly, any Kemmerer coal that becomes available, as part of the  
12 Naughton contract amendment, is over [REDACTED] per ton F.O.B. mine. The  
13 transportation costs associated with the 125 mile haul to the Bridger power plant  
14 would render Kemmerer coal uneconomic.

15 **Q. How does the Company's Trapper mine compare to other alternatives?**

16 A. The 2011 Trapper price is [REDACTED] per ton delivered to the Craig power plant. This  
17 delivered price is considerably less than the Company's other Colorado coal  
18 supply options. The price is over [REDACTED] per ton less than the delivered price under the  
19 Company's long-term coal supply agreement with the Colowyo mine for the  
20 Craig power plant.

21 **Q. Please summarize the benefits of the Company's coal supply strategy.**

22 A. Customers have significantly benefited from the Company's diversified fueling  
23 strategy with both owned mines and market supply contracts, and the Company

1 has prudently managed its fuel costs to the benefit of its customers. Although the  
2 affiliate mine supply represents approximately 30 percent of the plant supply  
3 requirements, it accounts for only 15 percent of the overall coal cost increase.  
4 Relative to the affiliate mines, third-party coal supply costs have increased  
5 primarily due to the timing of long-term coal contract reopeners.

6 **Test Period Fuel Stock**

7 **Q. Did the Commission adjust the Company's fuel stock balances in the 2010**  
8 **General Rate Case?**

9 A. Yes. The Commission determined that the record at that time did not demonstrate  
10 a reasonable and persuasive explanation for the increase in the fuel stock at  
11 different plant sites and ordered a three-year transition of stockpile increases. The  
12 Commission also invited the Company to come back after it completed its review  
13 of its inventory targets in Utah.

14 **Q. Has the Company completed a review of its inventory targets?**

15 A. Yes.

16 **Q. As a result, is the Company utilizing the three-year average identified by the**  
17 **Commission in the 2010 General Rate Case?**

18 A. No. As a result of the review of inventory targets, test period fuel stock levels  
19 reflect current inventory targets as documented in the Company's Coal Inventory  
20 Policies and Procedures.

21 **Q. Please explain.**

22 A. PacifiCorp's updated Coal Inventory Policies and Procedures is included as  
23 Exhibit No. 37. The Company retained Pincock, Allen & Holt (PAH) to analyze

1 the coal inventory policies associated with the Utah and Wyoming plants. As  
2 discussed in the document, system and plant inventory targets are reviewed and  
3 evaluated periodically by the Fuel Resources Department to determine if the  
4 targets are adequate to provide an economic supply of fuel to the generating  
5 stations.

6 **Q. Are there any plants whose inventory levels were below target as of**  
7 **December 2010?**

8 A. Yes, inventory levels at Huntington, Hunter and the Prep Plant were below target  
9 at the end of 2010. The extended longwall outage at the Deer Creek mine during  
10 July 2010 through November 2010 caused the Huntington plant's inventory to fall  
11 below target. Production issues at Arch's Sufco mine in 2010 resulted in a  
12 contract delivery shortfall. Both Hunter and the Prep Plant inventory levels  
13 declined as Arch curtailed Sufco mine deliveries due to poor coal quality and  
14 extended longwall moves.

15 **Q. Are December 2011 test period balances in line with Company targets?**

16 Yes, projected inventory levels in Utah are consistent with Company targets.  
17 Arch's agreement to make-up the Sufco delivery shortfall resulted in the increase  
18 in inventory. Inventory levels at the Cholla and Dave Johnston plants which were  
19 above target as of December 2010 are now projected to be substantially lower as  
20 of December 2011.

21 **Q. Has test period fuel stock increased from December 2010?**

22 A. Yes. As reflected in Company Witness Mr. Steven R. McDougal's Exhibit No. 2,  
23 coal fuel stock balances have increased from \$181.2 million as of December 2010

1 to \$219.0 million in December 2011, an increase of \$37.8 million.

2 **Q. Please explain the increase in fuel stock.**

3 A. The increase in fuel stock can be attributed to higher inventory levels, \$20.3  
4 million, mostly at the Utah plants, and higher unit costs, \$17.5 million, as shown  
5 in Exhibit No. 38.

6 **Q. Has the average cost per ton in inventory increased?**

7 A. Yes, the majority of the \$17.5 million of the stockpile unit cost increase is due to  
8 higher average costs for the Utah plants. The increase in average coal costs for the  
9 Utah plants is largely due to the 2011 Sufco contract price reopener and the new  
10 multi-year contracts with West Ridge and Horizon.

11 **Q. Does the Company anticipate reducing plant inventories from current levels?**

12 A. No. While plant inventory levels will fluctuate from month to month, the  
13 Company does not anticipate any reduction from current target ranges that are in  
14 line with policy. In addition to the ever depleting coal reserve base in Utah and  
15 Colorado, the Company faces uncertain labor negotiations with the Deer Creek  
16 mine's represented workforce, which is a significant supply of the Company's  
17 fuel supply for the Utah plants.

18 **Q. Does this conclude your direct testimony?**

19 A. Yes.