

REDACTED
Rocky Mountain Power
Docket No. 10-035-124
Witness: Cindy A. Crane

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Redacted Rebuttal Testimony of Cindy A. Crane

Coal Costs

June 2011

1 **Q. Are you the same Cindy A. Crane who submitted direct testimony in this**
2 **proceeding?**

3 A. Yes.

4 **Q. What is the purpose of your rebuttal testimony?**

5 A. The purpose of my rebuttal testimony is to:

- 6 • Rebut the testimony of Office of Consumer Services (“OCS”) witness Mr.
7 Seth Schwartz regarding OCS’s proposed disallowance of the Company’s
8 Fuel Stock;
- 9 • Rebut the testimony of OCS witness Mr. Schwartz regarding adjustment
10 of the Company’s coal inventory targets for the Utah plants;
- 11 • Rebut the testimony of OCS witness Mr. Randall J. Falkenberg regarding
12 fuel quality problems at the Bridger plant;
- 13 • Accept Utah Industrial Energy Consumer’s (“UIEC”) witness Mr. Mark T.
14 Widmer’s adjustment regarding removal of Bridger Coal Company fines
15 and citations; and
- 16 • Accept Mr. Widmer and Mr. Falkenberg’ adjustment relating to Bridger
17 plant’s coal price and Mr. Widmer’s adjustment to the Huntington plant
18 coal price;
- 19 • Update of the Company’s coal costs to reflect contractual changes under
20 the Company’s coal and transportation agreements; and
- 21 • Explain the acquisition of the Cottonwood coal leases from Arch Coal
22 Sales (“Arch”) as part of the settlement agreement with Arch; and
- 23 • Discuss the increasing sulfur content of Utah coal reserves.

24 **Fuel Stock Adjustment**

25 **Q. Please summarize the adjustment OCS witness Mr. Schwartz recommends to**
26 **fuel stock.**

27 A. Mr. Schwartz proposes to reduce Company fuel stock from [REDACTED]
28 [REDACTED]
29 [REDACTED].

30 **Q. Which plant fuel stock balances did Mr. Schwartz adjust?**

31 A. Mr. Schwartz adjusted test period fuel stock levels for the Utah plants only.

32 **Q. Do you agree with OCS' adjustment?**

33 A. No, the Company disagrees with OCS' adjustment. The Company maintains that
34 test period fuel stock levels are both appropriate and reflect the current supply risk
35 for the Utah plants.

36 **Q. How did the OCS determine its test period inventory level for the Utah**
37 **plants?**

38 A. Mr. Schwartz determined an inventory level for the Utah plants by assessing how
39 much inventory the Company would need to have in inventory on June 30, 2012

40 [REDACTED]
41 [REDACTED]
42 [REDACTED]. Mr. Schwartz analysis is also premised on the Company's coal

43 suppliers supplying their contractual obligation, up to [REDACTED] tons per year.

44 **Q. What are the problems with Mr. Schwartz's analysis?**

45 A. First, Mr. Schwartz has identified 10 days as a minimum inventory constraint for
46 the Utah plants [REDACTED] Coal

47 quality would be marginal at inventory levels this low due to high ash content.
48 The increase in ash content is the result of reclaiming rock which is part of the
49 stockpile base. Supplying the coal plants with a high blend of rock will result in
50 plant restrictions due to opacity, ash handling and coal mill capacity. [REDACTED]
51 [REDACTED] the Company's coal plants would be
52 placed at considerable supply risk with only a 10 day minimum stockpile.

53 Second, a central tenet of Mr. Schwartz proposed reduction in stockpile
54 levels is that "the Company can purchase up to [REDACTED] tons per year under its
55 other contracts with other Utah coal suppliers." The Company agrees with Mr.
56 Schwartz that under the terms of its coal supply agreements, the Company has the
57 right to nominate up to [REDACTED] tons. The Company disagrees, however, that a
58 nomination ensures actual receipt of coal. Mr. Schwartz does not discern between
59 the Company's contractual right to the coal supply and the probability of actual
60 delivery by the seller. Essentially, Mr. Schwartz proposes to substitute a paper
61 agreement for physical coal in inventory.

62 **Q. What circumstances would cause coal suppliers to deliver less than their**
63 **contract commitment?**

64 A. There are a variety of reasons a coal supplier may curtail or under-deliver its
65 contract deliveries such as geologic conditions, extended longwall moves,
66 equipment failure, Mine Safety and Health Administration (MSHA) mandates and
67 coal quality. For instance, in 2010 the Company nominated [REDACTED] tons under
68 its long-term agreement with Arch Coal Sales for Sufco and Dugout coals. Due to
69 extended longwall moves, high carbon monoxide levels at the Dugout mine and

70 poor coal quality at the Sufco mine, Arch delivered only [REDACTED] tons in 2010,
71 falling short of the [REDACTED] ton contract nomination by [REDACTED]
72 [REDACTED] of the nomination.

73 **Q. How many days of Utah coal inventory does [REDACTED] tons represent?**

74 A. Arch's contract shortfall is equivalent to [REDACTED] days of coal in Utah at an average
75 burn rate or [REDACTED] days of inventory at a maximum burn rate. Alternatively, the
76 delivery shortfall under this contract in just one year represents almost [REDACTED]
77 of Mr. Schwartz's proposed [REDACTED] test period tonnage reduction.

78 **Q. Could the Company absorb a delivery shortfall of [REDACTED] tons if the**
79 **Company adopted Mr. Schwartz's proposed test period stockpile level**
80 **[REDACTED]?**

81 A. It is unlikely. Mr. Schwartz assumes that the Company only needs [REDACTED]
82 [REDACTED]
83 [REDACTED]
84 [REDACTED] The Company would likely have to curtail
85 plant generation in 2013 under Mr. Schwartz's proposed test period stockpile as
86 the [REDACTED]
87 [REDACTED].

88 **Q. Have there been other recent supply interruptions in Utah?**

89 A. Yes. Underground mining in Utah is challenged with maturing operations,
90 increasing depth of cover, excess gases, narrowing seams. In two occasions in
91 2010, mining at the Dugout mine was curtailed due to increased carbon monoxide
92 levels. The mine was shutdown for [REDACTED] days during the April/May period and for

93 [REDACTED] days during the June/September period.

94 In 2008 and 2009, UtahAmerican Energy's West Ridge mine operation
95 was curtailed several times due to a series of bounces.¹ MSHA subsequently
96 mandated a change to the mine's roof control plan which reduced production.
97 Prior to the West Ridge interruptions, UtahAmerican Energy's Crandall Canyon
98 was shuttered in 2007 following a catastrophic coal outburst when roof-
99 supporting pillars failed.

100 The Company's plants are dependent upon all longwall operated mines.
101 As these recent events suggest, the supply risk associated with these longwall
102 operations is increasing.

103 **Q. Please explain the inventory targets for the Utah plants per the Company**
104 **Coal Inventory Policies and Procedures dated September 30, 2010.**

105 A. The Company has established both a collective short-term and long-term
106 inventory target for the Utah plants. While coal inventories in Utah initially
107 increased as a result of the coal acquired from Arch under the Electric Lake
108 settlement, the Company's current target is necessary [REDACTED]

109 [REDACTED]

110 [REDACTED]

111 [REDACTED]

112 [REDACTED].

113 **Q. Are the Company's coal inventory targets for the Utah plants excessive?**

114 A. No. The Company retained the consulting firm of Pincock, Allen and Holt (PAH)

¹ Bounce is the sudden outburst of coal and rock that occur when stresses in a coal pillar, left for support in underground workings, cause the pillar to rupture without warning, sending coal and rock flying with explosive force.

115 to assist the Company in determining inventory levels. PAH provided inventory
116 recommendations based on probabilistic modeling for all Company operated coal
117 plants. The Company adjusted PAH's inventory recommendation for the Utah
118 plants. [REDACTED]

119 [REDACTED]

120 [REDACTED]

121 [REDACTED]

122 **Q. Is Mr. Schwartz's recommended range of 84 – 96 days of inventory for the**
123 **Utah plants based on average burn reasonable?**

124 A. No. First the range is too narrow and considerably less than both the Company's
125 target as well as PAH's recommendations. Mr. Schwartz recommended targets do
126 not adequately reflect the variability in the Company's coal deliveries. For
127 instance, in the last eighteen months, there have been three instances in which the
128 Company did not receive coal from the Sufco mine for a period of [REDACTED] days or
129 longer.

130 Second, Mr. Schwartz targets are too low. As previously discussed, the
131 OCS's recommended inventory levels in Utah are insufficient [REDACTED]

132 [REDACTED]

133 **Q. When does the Company expect to reduce coal inventories in Utah?**

134 A. The Company's plans to reduce inventory levels at the Utah plants [REDACTED]

135 [REDACTED]

136 **Q. Please summarize the Company's position regarding OCS witness Mr.**
137 **Schwartz proposed disallowance of the Company's fuel stock?**

138 A. The Company's position is that the Commission should reject the OCS's
139 proposed [REDACTED] rate base disallowance. Mr. Schwartz has arbitrarily
140 adjusted Utah inventory levels without appropriately considering the Company's
141 risk associated with [REDACTED] supply.

142 **Q. Please summarize the Company's position regarding OCS witness Mr.**
143 **Schwartz proposed inventory targets?**

144 A. The Company maintains that the Company's inventory targets are appropriate for
145 the Utah plants [REDACTED]
146 [REDACTED]
147 [REDACTED]

148 **Bridger Outage Rate**

149 **Q. Please explain OCS' proposal related to Bridger plant outage rates.**

150 A. OCS's proposal to adjust the Bridger plant outage rate includes several
151 components. As Mr. Falkenberg states with respect to Adjustment 21.6, Bridger
152 Outage Rate on page 51 of his testimony:

153 I recommend the Commission reduce the outage rates used for
154 Bridger to remove the extra output lost resulting from liquidated
155 damage payments, impute improved fuel quality and reduce error
156 outage to match the NERC averages.

157 The Company disagrees with OCS's adjustment. Mr. Falkenberg's issues of
158 contractor's failure to complete outage work on time and excessive outages due to
159 employee errors at the Bridger plant have been addressed in the testimony of
160 Company witness Mr. Gregory N. Duvall.

161 **Q. How much of OCS' Adjustment 21.6, Bridger Outage Rate, relate to low**
162 **quality coal?**

163 A. Mr. Falkenberg's Adjustment 21.6 Bridger Outage Rate of \$529,402 (total
164 Company basis) includes approximately \$381,000 for low coal quality or
165 \$164,000 on a Utah allocated basis.

166 **Q. Has Mr. Falkenberg previously proposed an adjustment to net power cost for**
167 **Bridger plant de-rations due to Bridger coal quality?**

168 A. Not in a regulatory proceeding in Utah. However, Mr. Falkenberg has proposed a
169 similar adjustment in most of the Company's other jurisdictions and the proposed
170 adjustment has been rejected in Idaho, Docket PAC-E-10-07, and Washington,
171 Docket UE-100749.

172 **Q. Please explain OCS's proposal related to low quality of coal.**

173 A. OCS argues that the quality of fuel at the Bridger plant has resulted in an
174 unnecessarily high number of de-rations at the plant. OCS argues that additional
175 net power costs resulting from fuel quality problems at the Bridger plant should
176 be disallowed.

177 **Q. Do the Bridger Coal Company and the Bridger power plant have established**
178 **coal quality targets?**

179 A. Yes. Both Bridger Coal Company and the Bridger plant have established coal
180 quality targets for heat value, ash, sulfur, sodium, etc. Through vigorous blending,
181 both the Bridger mine and the Bridger plant minimize quality variations that
182 undermine optimal plant performance. Although Bridger Coal does attempt to
183 deliver a consistent product, at times it is limited by the size and quality of the

184 mine stockpiles and physical logistics. Bridger mine's surface operation
185 historically delivered a consistent coal blend through mining of coal in multiple
186 exposed seams. The development of the underground mine and the scaling back
187 of the surface operation has resulted in increased blending requirements, greater
188 unpredictability in coal deliveries and the potential for extended periods of high
189 ash coal production.

190 **Q. Has Bridger Coal quality changed with underground mining?**

191 A. Yes, the majority of the plant's fuel quality de-rations have been attributed to high
192 ash content associated with the Bridger underground operation. Bridger Coal
193 Company and the Bridger plant have established 13 percent as a maximum for ash
194 content necessary for optimal plant performance. Prior to underground mining,
195 the mine consistently delivered the Bridger plant coal with a maximum of 13
196 percent ash. With the advent of underground mining, however, the calculated ash
197 content has at times exceeded the 13 percent ash target.

198 **Q. Does the Company routinely blend for ash content at its other locations
199 where coal is produced from underground mining?**

200 A. Yes. All of the coal produced in Utah is currently from underground mining. All
201 of these mines, at times, produce coal that does not meet contract specifications.
202 Coal stockpiling and blending facilities at the Hunter and Huntington plants
203 enable the Company to mix these coals as necessary to provide the power plants
204 with a consistent coal quality. These facilities allow the Company to efficiently
205 and economically segregate, stockpile, and reclaim underground coal based on a
206 particular coal quality. There is not a similar coal blending facility at the Bridger

207 plant.

208 **Q. Would coal costs be impacted by decreasing production from the Bridger**
209 **underground operation and increasing production from the surface**
210 **operation to reduce ash content?**

211 A. Yes. Increasing surface production at the expense of the underground production
212 would likely result in lower ash coal content, but higher fuel costs since the
213 incremental cost of the surface operation is greater than the decremental cost of
214 the underground operation.

215 **Q. Does OCS adjust average Bridger plant coal costs for the increased costs of**
216 **the surface operation?**

217 A. No. OCS incorrectly assumes that average costs at the Bridger plant would remain
218 the same regardless of the Bridger underground production. OCS inappropriately
219 imputes an adjustment to net power cost, but ignores the reduced coal costs that
220 result from the favorable economics associated with underground mining. Or to
221 frame it differently, they fail to include a corresponding increase to their
222 adjustment for increased costs of surface mine operations.

223 **Q. Please identify the efforts the Company has made to reduce coal quality**
224 **restrictions.**

225 A. The Company has spent considerable time identifying quality parameters that
226 result in optimized plant performance for its thermal fleet. Bridger mine and
227 Bridger plant personnel routinely discuss coal deliveries and quality and coal
228 deliveries are often adjusted daily.

229 **Q. Are additional modifications being made to the fuel handling system and**
230 **blending capabilities at Bridger Coal Company?**

231 A. Yes. The mine previously enlarged the stockpile footprint at the truck dump
232 station, TDS-2 and has requested the Wyoming Department of Environmental
233 Quality (WDEQ) to issue a permit allowing for further expansion of this site.
234 Bridger Coal expects the WDEQ to issue a permit by the end of the year. The
235 permit would allow the mine to expand the capacity of this truck dump station
236 with an additional 500,000 tons of sealed inventory capacity.

237 This expansion would allow the mine to further segregate coal produced
238 by the underground mine, store higher ash coal and minimize the variability of the
239 ash content in deliveries to the Jim Bridger plant. Additionally, Bridger Coal has
240 completed preliminary engineering and design of an upgrade to truck dump
241 station TDS-2. This upgrade will allow Bridger Coal to feed or reclaim coal
242 stockpiled at truck dump station TDS-2 directly back to the conveyor system
243 rather than being hauled by truck to another dump station, ultimately improving
244 coal blending.

245 **Q. Please summarize the Company's position regarding OCS's adjustment to**
246 **reduce net power costs by approximately \$381,000 on a system basis or**
247 **\$164,000 on a Utah allocated basis due to fuel quality restrictions at the**
248 **Bridger plant.**

249 A. The Company requests that the Commission reject OCS's adjustment. OCS
250 inappropriately imputes an adjustment to net power cost and ignores the increase
251 in coal costs that would result from increasing surface coal production and

252 reducing underground coal production.

253 **Bridger Coal Company Fines and Citations**

254 **Q. Does the Company agree with UIEC's adjustment to Bridger plant fuel**
255 **expense for Bridger fines and citations?**

256 A. Yes. The Company agrees to remove Bridger Coal Company fines and citations
257 from test period expenses. An amount of \$298,087, on a total system basis, has
258 been removed from Bridger plant fuel expense in the coal cost update included in
259 the Company's rebuttal revenue requirement calculation.

260 **Coal Cost Update**

261 **Q. Please explain the coal cost update included in the Company's rebuttal filing.**

262 A. Coal costs have been reduced by approximately [REDACTED] million, on a total system
263 basis, from the direct filing with approximately [REDACTED] million of the decrease
264 associated with reduced volumes and [REDACTED] million of the decrease associated with
265 lower coal prices.

266 **Q. Does the coal cost update include the price corrections for Bridger and**
267 **Huntington plants?**

268 A. Yes. The update reflects the corrections previously communicated by the
269 Company in response to DPU 4.39 and reflected in UIEC Adjustment 11.

270 **Q. What are the primary drivers of the [REDACTED] million decrease in coal prices in this**
271 **case?**

272 A. The update includes:

- 273 • Settlement of the Company's 2011 price re-opener dispute with Arch Coal
274 Sales for Sufco coal,

- 275 • Arch's agreement to deliver to the Company's coal plants the [REDACTED] tons
276 of contract shortfall associated with 2010 contract deliveries,
277 • New coal supply agreements for the Dave Johnston plant,
278 • Removal of fines and citations for Bridger Coal and
279 • Update of coal and transportation costs to reflect actual July 2011 rates
280 and projected changes in contract indices.

281 **Q. Please explain the changes associated with the affiliate mines.**

282 A. With the exception of the removal of \$298,087 for Bridger Coal fines and
283 citations, and the correction noted by Mr. Widmer in UIEC Adjustment 11, coal
284 production and operating costs for Bridger Coal and Deer Creek have not changed
285 since the direct filing.

286 **Q. Please summarize the Company's settlement with Arch Coal Sales for the**
287 **Sufco mine coal supply.**

288 A. In June 2011, the Company entered into a settlement agreement with Arch Coal
289 that:

290 (a) provides for a third amendment to the existing coal supply agreement
291 ("CSA") extending it with modified terms through the first five-year
292 extension period ending December 31, 2015;

293 (b) stipulates that the Company or its subsidiary will acquire the Cottonwood
294 coal reserve leases (the "Cottonwood leases") from Arch Coal's subsidiary
295 at its cost; and

296 (c) dismisses without prejudice the litigation filed by the Company against
297 Arch Coal regarding the first extension period.

298 **Q How does the new Sufco contract price compare with the estimate reflected**
299 **in the direct filing?**

300 A. The actual contract price for Sufco coal is less than the estimate utilized in the
301 direct filing. A 2011 Tier 1 price of [REDACTED] per ton was assumed in the direct
302 filing; the settled Tier 1 price is [REDACTED] per ton, a reduction of [REDACTED] per ton.

303 **Q. Please discuss the delivery of the 2010 Arch contract delivery shortfall?**

304 A. As I discussed earlier in my testimony, the Company nominated [REDACTED] tons in
305 2010 and Arch delivered only [REDACTED] tons. Subsequent to the direct filing, and
306 as part of our negotiations, Arch has agreed to supply the [REDACTED] tons of the
307 2010 contract shortfall on a pro-rata basis in 2011 at the 2010 contract price. The
308 price of the coal, [REDACTED] per ton, is approximately [REDACTED]
309 [REDACTED].

310 **Q. How much of the decrease in the coal price update is associated with both**
311 **Arch Coal Sales transactions?**

312 A. The update reflects a coal price reduction of [REDACTED] as a result of both Arch
313 transactions: [REDACTED] at the Hunter and Huntington plants
314 respectively.

315 **Q. Please describe the new coal supply arrangements for the Dave Johnston**
316 **plant.**

317 A. The test period reflected an open position of [REDACTED] tons of coal at the Dave
318 Johnston plant. As a result of the April 2011 coal supply solicitation, the
319 Company secured new coal supply arrangements with Western Fuels for
320 additional Dry Fork coal and a new coal supply with Arch Coal Sales for coal

321 from the Coal Creek mine.

322 **Q. How do the new Dave Johnston contract prices compare to the direct filing?**

323 A. Favorably. Coal costs have decreased by approximately [REDACTED] as a result of
324 the new coal supply arrangements for the Dave Johnston plant.

325 **Q. Please describe the update associated with the Company's long-term coal and**
326 **transportation indexed supply agreements?**

327 A. The increase related to indexed coal and transportation contracts is approximately
328 [REDACTED] The coal price update reflects coal prices and transportation rates as
329 of July 1, 2011 based on published consumer and producer price indices.
330 Additionally, the indexed contract rates for the remainder of the test period have
331 been updated to reflect the current forward price curve for diesel fuel.

332 **Cottonwood Lease Acquisition**

333 **Q. How did the Company subsidiary, Fossil Rock Fuels, LLC, acquire the**
334 **Cottonwood coal lease tracts?**

335 A. The Company filed a complaint against Arch in November 2010 claiming
336 anticipatory breach of the 1999 Coal Supply Agreement with respect to pricing,
337 quality and quantity provisions of the agreement. As part of the settlement
338 reached in June 2011, Arch Coal agreed to transfer ownership of the Cottonwood
339 leases to the Fossil Rock Fuels, LLC [REDACTED]

340 [REDACTED]

341 [REDACTED]

342 [REDACTED].

343 **Q. Is the Company proposing an adjustment to the test period rate base?**

344 A. Yes, the Company is proposing to adjust Plant Held for Future Use by [REDACTED]
345 million. These reserves are integral to the Company's long term coal supply for
346 the Utah plants.

347 **Q. Where are the Cottonwood coal leases located and why are they strategic for**
348 **the Company?**

349 A. The Cottonwood coal leases are located adjacent to the Company's existing but
350 inactive Trail Mountain federal coal leases in Utah. The leases could be mined as
351 a replacement for the current Deer Creek mine which is projected to be depleted --
352 [REDACTED], as a replacement to the current West Ridge coal supply
353 agreement expiring in 2014 and/or in lieu of Sufco coal during the second
354 extension period, 2016 -2020. Securing these leases affords the company and
355 customers benefits that will stem from [REDACTED]
356 [REDACTED] in the near term and ultimately replacement supply when the
357 Deer Creek mine depletes. The Company previously attempted to acquire the coal
358 leases in December 2007 during SITLA's lease auction; however, the Company
359 was outbid by Arch Coal subsidiary, Ark Land Company.

360 **Utah Coal reserves – Increasing sulfur content**

361 **Q. Is the sulfur content of the Hunter plant's coal supplies projected to increase**
362 **in the future and was this one of the factors contributing to the scope of the**
363 **Company's investment in pollution control equipment?**

364 A. Yes and Yes. The Company is already experiencing an increase in sulfur content
365 in coal delivered to the Hunter plant. Furthermore, based upon discussions and

366 information provided by key mine operators in Utah, future coal supplies are
367 projected to have higher sulfur content. The Company's projection of Hunter
368 plant's average coal quality through 2020 was provided in confidential response
369 to UAE 14.1 and is included as Confidential Exhibit CAC-1R. As illustrated in
370 Exhibit CAC-1R, the weighted average sulfur content is projected to [REDACTED]

371 [REDACTED]
372 [REDACTED] Although the coal quality data in the Exhibit CAC-
373 1R represents annual averages, actual daily, weekly and monthly coal deliveries
374 will have a much wider range of variability. The wide variations in the daily coal
375 deliveries require extensive blending to ensure a consistent coal blend for the
376 plant.

377 **Q. Has the Company analyzed any data to independently verify these**
378 **contentions?**

379 A. Yes. In confidential response to UAE 14.1, the Company provided a presentation
380 prepared by UtahAmerican Energy Inc. projecting future coal quality for West
381 Ridge and Lila Canyon mines. The Company currently has a long term coal
382 supply agreement with UtahAmerican Energy Inc. and is receiving coal from its
383 West Ridge mine, [REDACTED]

384 [REDACTED]
385 Additionally, the Company received information from Arch Coal, the
386 largest producer of coal in Utah, [REDACTED]

387 [REDACTED]
388 [REDACTED]

389

[REDACTED]

390 **Q. Will these high sulfur coal supplies become a significant portion of the**
391 **Hunter plant's coal supply?**

392 A. Yes. The Company has a competitive contract with West Ridge mine for coal
393 deliveries to the Hunter facility through 2014 with coal sulfur content as described
394 above. Furthermore, information obtained from both UtahAmerican Energy Inc.
395 and Arch Coal indicates that future coal supplies within the cost competitive
396 market serving the Company's Utah facilities [REDACTED]

397

[REDACTED]

398 **Q. Is the Company contractually obligated to purchase its fuel from these**
399 **sources or can it procure coal elsewhere?**

400 A. Yes. The Company is contractually obligated to purchase coal from both
401 UtahAmerican Energy Inc. and Arch Coal, at least currently through 2014 and
402 2015 respectively. The Company has long term cost-competitive coal supply
403 agreements with both companies. These two companies produce approximately
404 seventy percent of the total Utah coal supply.

405 **Q. Is the Company's Deer Creek mine [REDACTED]**

406

[REDACTED]

407 A. Yes, in early 2011 the Company's Deer Creek mine [REDACTED]

408

[REDACTED]

409

[REDACTED]

410 **Q. Does the Company's Deer Creek mine plans reflect further** [REDACTED]
411 [REDACTED]?

412 A. Yes, the Company's Deer Creek mine plans and drilling program reflect that the
413 mine is expected to [REDACTED]
414 [REDACTED].

415 **Q. Could the Company transport lower sulfur coal from mines in Wyoming or**
416 **Colorado to avoid the rise in sulfur content from Utah coal sources?**

417 A. Not in a cost effective way in the near future. None of the Company's Utah plants
418 have rail access. All three of these plants receive coal from mines which are
419 located within a sixty-five mile radius. All coal delivered to the Hunter and
420 Carbon plants is delivered via coal haul trucks. The Huntington plant's primary
421 coal supply is delivered via a conveyor belt which connects the Company's Deer
422 Creek mine to the Huntington plant. The Company's plants were designed to
423 consume and were located near the coal resources located in both the Wasatch
424 Plateau and Book Cliffs coal fields. Transporting coal from Wyoming or
425 Colorado would require expensive plant modifications in order to receive, handle
426 and consume the coal from outside of the Utah Wasatch Plateau and Book Cliffs
427 coal fields and would prove uneconomic relative to local supplies.

428 **Q. Does this conclude your testimony?**

429 A. Yes.