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

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

Qualifications

Q. Briefly describe your business experience.

A. I joined PacifiCorp in 1990 and have held positions of increasing responsibility, including Director of Business Systems Integration, Managing Director of Business Planning and Strategic Analysis and Vice President of Strategy and Division Services. In March 2009, I was appointed to my present position as Vice President of Interwest Mining Company and Fuel Resources. I am responsible for the operations of Energy West Mining Company and Bridger Coal Company, as well as overall coal supply acquisition and fuel management for PacifiCorp's coal plants.

Purpose and Summary

Q. What is the purpose of your testimony?

A. I explain the Company's overall approach to providing the coal supply for the Company's coal plants. Specifically, my testimony:

- Explains the coal cost increases reflected in the filing and describes the primary reasons for the increases;
- Provides background on the third-party coal contracts that are contributing to the increase in coal costs in this case;

- Reviews the Company's affiliate mine coal costs and compares them to other supply alternatives; and
- Demonstrates that Oregon customers benefit from the Company's diversified coal supply strategy.

Q. Please summarize your testimony.

A. The Company has pursued a diversified coal supply strategy, relying on fixed contracts, indexed contracts and affiliate-owned coal mines to meet the fuel needs of its coal plants; customers have benefited from this strategy. While coal costs have increased in this case, the Company's strategy has resulted in a long-term, stable and low-cost supply of coal for its customers. Additionally, test period costs for each of the three affiliate mines remain considerably less than the Company's market alternatives and further demonstrate the benefits of the Company's affiliate mines.

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

Q. How does the Company plan to meet fuel supplies for its coal plants in 2012?

A. The Company employs a diversified coal supply strategy. For 2012, the Company will meet approximately 68 percent of its fuel requirements from third-party multi-year contracts and 32 percent with coal from the Company's affiliate mines.

Q. What percentage of the Company's third-party coal contracts are fixed and what percentage are indexed?

A. In 2012, approximately 29 percent of the Company's total coal supply will be priced under current fixed-price contracts and 33 percent will be priced under contracts that escalate/de-escalate based on changes to producer and consumer price indices. The remaining portion of third party coal supplies, approximately six percent, is still under negotiation.

Q. Please identify which Company coal plants are supplied by the affiliate mines.

A. Coal production from the Company's Bridger mine is dedicated to the Jim Bridger plant. Energy West's Deer Creek mine supplies a portion of the coal requirements for the Carbon, Hunter and Huntington plants and the Trapper mine is dedicated to the Craig plant.

Coal cost increases in the 2012 Transition Adjustment Mechanism ("TAM")

Q. Do coal costs in the 2012 TAM reflect an increase from cost levels reflected in the Company's July update in the 2011 TAM?

A. Yes. Coal costs have increased by approximately [redacted] on a total-company basis. Average coal costs have increased from $[redacted]

Q. How much do the captive operations account for the overall increase?

A. [redacted]

Q. Which PacifiCorp plants are experiencing cost increases in third-party contract coal supply?

A. With the exception of Colstrip, third-party supply costs have increased at all of the plants. The major causes are as follows:

- The majority of the Hunter and a portion of the Huntington plants' requirements are supplied by the Sufco mine under the Company's long-term coal supply agreement with Arch Coal Sales ("Arch"). The Sufco price in the 2012 TAM is [redacted]
- A portion of the Hunter and Carbon plants' requirements will be supplied by the West Ridge mine under a new coal supply agreement. The overall impact on test period results is approximately [redacted]
- The 2011 TAM included 300,000 tons of previously deferred Skyline tonnage at the Carbon plant. With the December 2011 expiration of this agreement, the Carbon plant will be supplied with coal from America West's Horizon mine under a new long-term coal supply agreement at an incremental cost of approximately [redacted]
- The Naughton plant is supplied under a long-term coal supply agreement with Chevron Mining's Kemmerer mine. The contract price was reset effective July 2010 pursuant to a price re-opener provision. The overall impact on test period results is approximately [redacted]
- The Company will experience an increase of approximately [redacted] in Dave Johnston plant costs largely as a result of the expiration of a long-term coal supply agreement with Wyodak Resources' Black Hills mine, as well as fixed price increases under two multi-year coal supply agreements and higher rail rates.

- The Company will experience an increase of approximately [redacted] in Hayden plant costs. The current agreement expires December 2011. The projected coal price in 2012 is based on ongoing negotiations with Peabody; the projected rail rate is based on discussions with the Union Pacific Railroad.
- The Company will experience an increase of approximately [redacted] in Cholla plant costs. The increase in current test period costs relate to the increased price of coal from Lee Ranch/El Segundo due to escalation of contract specific producer and consumer price increases under the coal supply agreement with Peabody, [redacted], and higher rail rates, [redacted], under the long-term rail agreement with the Burlington Northern Santa Fe.

Third-party coal costs related to the Utah plants

Q. Please describe the status of the Arch contract.

A. The Company's long-term coal supply agreement with Arch for Sufco coal, which extends through 2020, includes two price re-openers: January 2011 and January 2016. The parties have been in protracted negotiations over the January 2011 price-reopener for almost two years. The Company filed a complaint against Arch in November 2010 in the United States District Court for Utah. Nevertheless, negotiations continue as the parties attempt to reach a comprehensive settlement that addresses the 2011 price reopener, coal quality specifications, coal volumes, nominations, coal leases, etc.

Q. Please explain what price is included in the 2012 TAM.

A. The 2012 TAM reflects a weighted average delivered contract price, Freight On Board ("F.O.B.") Hunter plant, of [redacted] in the 2011 TAM. The price in the 2011 TAM was based on a preliminary analysis of the price reopener calculation. Since the development of the 2011 TAM, the Company has further analyzed the contract price reopener provision and continued good faith negotiations as required by the contract. The 2012 TAM cost estimate is based on the additional analysis and negotiations.

Q. Please discuss the Company's other third-party supply arrangements for Utah coal.

A. Since the 2011 TAM update, the Company has entered into two other coal supply agreements. The Company contracted with UtahAmerican Energy for coal supplies from the West Ridge mine for [redacted]. The West Ridge mine is the only other longwall operation in Utah not owned by Arch. High ash fusion temperature coals like West Ridge mitigate the low ash fusion characteristics of Sufco coal that can contribute to boiler slagging. The Company also contracted with America West Resources, Inc. for coal from the Horizon mine for [redacted], with an option to extend the contract through an additional [redacted].

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

A. Favorably. The Sufco coal price is a delivered price at the Hunter plant whereas other market transactions are normally priced at F.O.B. loadout. Currently, spot coal is being transacted for approximately $45/ton or equivalent to $48/ton at the

Hunter plant. [redacted].

Naughton plant coal costs

Q. Please explain what price is included in the 2012 TAM for the Naughton plant.

A. The 2012 TAM reflects a weighted average delivered contract price of [redacted]. The price in the 2011 TAM was based on ongoing negotiations with Chevron Mining. Negotiations were completed in September 2010 with an amendment to the current coal supply agreement that extends through 2016 and a new coal supply for the term of 2017 through 2021.

Q. Please describe the price reopener related to the Naughton contract.

A. The original long-term coal supply agreement with Chevron Mining's Kemmerer mine contained several market price re-openers. A market price re-opener was scheduled to occur on January 1, 2011. [redacted].

Q. Did the Company evaluate alternative supply options?

A. Yes. [redacted]

[redacted]

Q. What is the distance between the alternate sources and the Naughton plant?

A. [redacted]

Q. What was the estimated cost of the alternate sources?

A. [redacted]

Q. Was the Company able to negotiate a new contract price?

A. The Company successfully negotiated a new coal price with Chevron that eliminated the 2011 market price reopener provision. [redacted]

Q. Please summarize the supply agreements with Chevron Mining.

A. In September 2010, the Company and Chevron Mining restructured the coal supply arrangement to the Naughton plant. [redacted]

Other third-party coal costs

Q. Please explain the [redacted] increase in Dave Johnston plant coal supply costs.

A. The Dave Johnston plant is currently supplied with coal from Western Fuels' Dry Fork mine, Peabody's Rawhide mine and Wyodak Resources' Wyodak mine. Both the Dry Fork and Rawhide agreements extend through 2013; the Wyodak agreement expires in December 2011. Approximately [redacted] is associated with annual fixed price increases under Rawhide and Dry Fork agreements and increased volumes under the Rawhide agreement and [redacted] is associated with higher rail rates. The remainder of the increase, approximately [redacted], is associated with the open position caused by the expiration of the Wyodak agreement.

Q. What is the size of the Dave Johnston open position in 2012?

A. The 2012 TAM reflects [redacted] tons of spot coal. [redacted] the Company is evaluating issuing a solicitation for PRB coal supplies for 2012 and 2013.

Q. Please explain the [redacted] increase in Cholla plant coal supply costs.

A. The increase in test period costs relate to the increased price of coal from Peabody's Lee Ranch/El Segundo [redacted].

Q. Please explain the [redacted] increase in Hayden plant coal supply costs.

A. The current coal supply agreement with Peabody for the supply of Twentymile coal expires in December 2011. The Hayden plant owners and Peabody have been in negotiations regarding an extension of the current coal supply agreement for an additional three-year period. [redacted].

Q. Will third-party contract costs be updated during this proceeding?

A. Yes. Pursuant to the TAM Guidelines, the costs associated with contracts will be updated in the Rebuttal Update if new information is available.

Affiliate mine coal costs

Q. Please provide an overview of the change in costs at the Deer Creek mine.

A. Deer Creek production costs in 2012 are projected to increase from [redacted]

[redacted]. There are four primary drivers for the Deer Creek cost increase: higher United Mine Workers of America wages and benefits, changes in ratio of continuous miner to total production which results in increased materials and supplies, increased post retirement costs and increased major overhaul expenses. In the 2011 TAM, approximately 21 percent of Deer Creek's production was produced by continuous miners; in the 2012 TAM approximately 25 percent of the production will be supplied by continuous miners. Continuous miner production is more labor intensive and consumes more supplies than longwall production. Pension and post retirement welfare costs prepared by Hewitt Associates resulted in an increase of [redacted]. Major overhaul expenses have increased with more difficult mining conditions in the lower Hiawatha seam. Despite the increase, Deer Creek coal costs are still considerably less than the Company's other supply options.

Q. Please explain the change in Bridger Coal costs between 2011 and 2012.

A. The 2012 TAM reflects an increase in Bridger Coal Company costs from [redacted] The increase in underground costs is largely a combination of increased wages and benefits, operating supplies and mine and equipment maintenance, contract services, depreciation and royalties.

Q. Have Bridger Coal Company staffing requirements changed?

A. Yes, between the mine's workforce and contractors, staffing requirements have increased with mine development, conveying and blending requirements.

Improving coal conveying reliability and equipment maintenance availability are critical to maximizing coal production and minimizing costs. In July 2011, Bridger Coal will deploy a third continuous miner section which requires additional staffing. The third miner is necessary to ensure timely development of longwall panels and completion of required underground mine construction projects.

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

A. Kiewit Mining has offered to sell the Company up to [redacted]. On a delivered cost basis, this coal is approximately [redacted] than Bridger Coal's test period costs. Similarly, any Kemmerer coal that becomes available, as part of the Naughton contract amendment, [redacted]. The transportation costs associated with hauling the coal 125 miles to the Bridger plant is prohibitive.

Q. What is the least cost supply for the Jim Bridger plant?

A. It is the supply approach that is being pursued by the Company. A combination of the current Black Butte agreement and the combined Bridger surface and underground operations continues to be the optimum coal supply for the Jim Bridger plant. Without the Bridger surface operation, the Jim Bridger plant test period costs would be higher. The decremental cost of Bridger surface production is approximately [redacted].

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

A. The 2012 Trapper price of [redacted]. This price is considerably less than the Company's other Colorado coal supplies. The price is over [redacted] than the delivered price under the Company's long-term coal supply agreement with the Colowyo mine.

Q. Does this conclude your direct testimony?

A. Yes.