ICNU Data Request 28.10

Please provide the responses to Data Requests 28.10-28.15 to Greg Meyer:

Please provide a copy of Mr. Crane's rebuttal testimony in the current Idaho general rate case. Please identify any areas in which PacifiCorp disagrees with any of the statements made by Mr. Crane.

Response to ICNU Data Request 28.10

The rebuttal testimony of Cindy A. Crane in Idaho Case No. PAC-E-10-07 is provided as Confidential Attachment ICNU 28.10. Use of Company confidential data provided in the above listed docket remains subject to maintaining the confidentiality of such data on the terms and conditions of the protective order in that docket. Confidential information is provided subject to the terms and conditions of the protective order in this proceeding.

Ms. Crane is the Company's witness. The Company does not disagree with Ms. Crane's testimony.

PREPARER: Cindy A. Crane

SPONSOR: Cindy A. Crane

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE	)	
APPLICATION OF ROCKY	)	**CASE NO. PAC-E-10-07**
MOUNTAIN POWER FOR	)	
APPROVAL OF CHANGES TO ITS	)	**Rebuttal Testimony of Cindy A. Crane**
ELECTRIC SERVICE SCHEDULES	)	**REDACTED**
AND A PRICE INCREASE OF $27.7	)	
MILLION, OR APPROXIMATELY	)	
13.7 PERCENT	)	

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-10-07

November 2010

Q. Please state your name.

A. My name is Cindy A. Crane.

Q. Are you the same Cindy A. Crane who has testified previously in this case?

A. Yes, I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to:

- Rebut the testimony of Idaho Public Utilities Commission Staff ("IPUC") witness Mr. Joe Leckie regarding IPUC's proposed disallowance of the Company's Fuel Stock; and,
- Rebut the testimony of PacifiCorp Idaho Industrial Consumers ("PIIC") witness Mr. Randall J. Falkenberg regarding fuel quality problems at the Jim Bridger plant.

Fuel Stock Adjustment

Q. Please summarize the adjustment that IPUC witness Mr. Leckie recommends in regards to fuel stock.

A. Mr. Leckie proposes to limit the coal inventory level for each plant site to no more than the actual tons as of December 2009. Mr. Leckie questions the necessity of increasing the tonnage size of the stockpiles from 2009 actual to 2010 pro forma and believes that customers should receive the benefit of the Company's ability to operate six coal sites at their reduced tonnage levels but should not bear the cost of the increase tonnage at the other coal sites without just and reasonable cause.

Q. Do you agree with Mr. Leckie's adjustment?

A. No, the Company believes that Mr. Leckie did not consider all the facts before making his recommendations.

Q. Please explain.

A. First, by limiting inventory levels to no more than the actual tons in inventory as of December 2009, Mr. Leckie grossly overstates the increase in coal inventory for the Utah plants. Mr. Leckie's analysis implies that coal inventory levels in Utah increased by 300,691 tons during the test period whereas the pro forma test period reflects only an increase of only 66,606 tons, see Exhibit No. 64. Second, Mr. Leckie's analysis fails to recognize that the actual inventory levels as of December 2009 for the Bridger, Naughton and Hayden plants were below Company targets. The test period reflects inventory levels at these levels conforming to established targets by year-end.

Q. Please explain Mr. Leckie's adjustment for the Utah inventories?

A. Mr. Leckie incorrectly assumes that all the Utah stockpiles are independent of each other. For instance, Mr. Leckie assumes that stockpile reductions at the Huntington plant, (228,206) tons, and Carbon plant, (5,879) tons are unrelated to the increase in the Rock Garden of 246,400 tons.

Q. Are the Huntington and Rock Garden stockpiles interrelated?

A. Yes. All of the Deer Creek mine's production is delivered to the Huntington plant via an overland conveyor. A minimal amount of coal is maintained in silo at the Deer Creek mine. Depending upon mine production levels and quality, Deer Creek coal could be transferred from the Huntington plant to Carbon, Hunter,

Rock Garden or Prep Plant. The Rock Garden pile is located approximately 3 miles from the Huntington plant. The Rock Garden pile provides storage and blending capability for the Utah coal fleet. Deer Creek coal production comprises almost 95 percent of the Rock Garden inventory.

Q. How much Deer Creek coal was transferred from the Huntington plant to the Rock Garden?

A. The Company transported almost 228,000 tons of high British thermal unit content, low ash Deer Creek coal from the Huntington plant to the Rock Garden during the first half of 2010. Essentially, the increase in the Rock Garden inventory is offset by corresponding decreases in stockpiles at the Carbon and Huntington plants.

Q. Does the test period reflect increases at other Utah sites?

A. Yes. As shown in Exhibit No. 64 the stockpiles at Hunter and the adjacent Prep Plant increase by 2,755 tons and 51,035 tons respectively, or 53,790 tons in total.

Q. Please explain the increase at the Prep Plant and Hunter plant.

A. The majority of the coal is supplied by Arch's Sufco mine under a long-term coal supply agreement. The Arch contract provides for a price reset of the Sufco contract in 2011. Though the parties are still in negotiations, the Company projects the 2011 contract price will increase by [redacted], if not more, over the 2010 price. The Company has prudently minimized future costs by purchasing and stockpiling the lower priced coal in 2010 and reducing the amount of Sufco coal purchased in 2011.

Q. Is this consistent with the Company's inventory policy?

A. Yes. The Company's inventory policy contemplates increasing inventory levels if there are opportunities to procure coal at below-market prices. This prudent management benefits customers, the slight increase in coal inventory carrying costs is more the offset by the lower purchase price of the coal.

Q. Are any of Mr. Leckie's proposed adjustments to the Utah stockpiles appropriate?

A. No. Clearly, the transfer of Deer Creek coal from Huntington to the Rock Garden is causative of their large but opposite inventory swings. Increasing stockpiles at both Hunter and the Prep Plant will benefit customers: the savings in fuel costs will more than offset the increased carrying charges. As shown in Exhibit No. 64, Mr. Leckie's proposed adjustment of $15,970,759 (system) decreases to $7,782,604 (system) after the erroneous Utah stockpile adjustments have been removed.

Q. Are there other additional problems with Mr. Leckies' analysis?

A. Yes, the Company disagrees with Mr. Leckie's contention that the stockpile increases at Bridger, Naughton and Hayden are not just and reasonable. The stockpile levels at these plants were considerably below Company inventory targets as of December 2009. The test period forecast reflects these stockpiles reaching Company targets by the end of the test period. In fact, as of September 2010, actual inventory levels at the Bridger and Naughton plants were slightly above year-end test period balances.

Q. Please describe the available coal supplies in Southwest Wyoming.

A. There are only three mines currently in operation in Southwest Wyoming: Black Butte, Kemmerer and Bridger Coal. Total annual production from these three mines is estimated at 14.5 million tons, the Jim Bridger and Naughton plants consume almost 80 percent of this production. The lack of a rail unloading facility at the Naughton plant and the absence of other proximate supply alternatives would severely hamper the ability of Naughton and Bridger plants to respond to production shortfalls.

Q. Please explain the Company's inventory target for the Naughton plant.

A. The Company has established a 45 - 55 day inventory target for the Naughton plant. A cessation in production at the Kemmerer Mine would require the Company to divert coal supplies from either the Bridger Mine or Black Butte Mine to the Naughton plant. Such deliveries would be contingent upon the Company's ability to secure sufficient trucking capacity to support the 125 mile haul. Based on prior experience, the Company believes it could take upwards of two months to mobilize a trucking operation that could sustain the plant.

Q. Does the Naughton plant's test period ending balance conform to the Company's inventory targets?

A. Yes, the test year ending inventory balance of 350,267 tons is equivalent to approximately 47 days of inventory which is slightly less than the midpoint of the established inventory target. Further, as of September 2010, there was 359,046 tons of coal stockpiled at the Naughton plant.

Q. Please explain the Company's inventory target for the Bridger plant.

A. The Company has established a 50 - 55 day inventory target for the Jim Bridger plant. The supply risk associated with underground mining is dramatically different than a typical surface mine. Quality and mining conditions can vary creating both supply and blending challenges.

Q. What steps has the Company pursued to increase the supply security at the Bridger Plant?

A. In early 2009, the Bridger plant received a permit from the Wyoming Department of Air Quality allowing the increase of its long-term (dead) storage from 500,000 tons to 1 million tons. When combined with the short-term storage, Jim Bridger plant's inventory capacity will eventually expand to 1.3 million tons. Per permit, this increase will be accomplished over a three-year period: 2009 through 2011. The permit also limited the plant to increasing its long-term pile by no more than 200,000 tons per year.

Q. How much coal is now stored in the Bridger Plant's long-term storage pile?

A. At the end of September 2010, PacifiCorp's share of the long-term pile was approximately 567,000 tons. PacifiCorp's share of the Bridger plant stockpile, long-term and short-term, as of September 2010 was slightly above 800,000 tons or 51 days.

Q. Do customers benefit from the increase in the long-term storage pile from 500,000 tons to 1 million tons?

A. Yes. The Bridger Plant is the Company's largest generating source. Almost 50 percent of the plants' requirements are now supplied by the Bridger underground

mine. The increased inventory level minimizes the supply risk associated with underground mining.

Q. Has the Company engaged a third party consultant to review Bridger and Naughton stockpile levels?

A. Yes, in early 2010, the Company retained the engineering firm of Pincock Allen & Holt (PAH) to analyze inventory levels for the Company's Wyoming coal fired power plants. The Company's inventory targets are consistent with PAH's recommendations.

Q. Please explain the increase at the Hayden Plant?

A. The majority of the coal is supplied by Peabody's Twentymile Mine, an underground mining operation. Until the rail unloading facility commences operation in 2012, the Company has targeted approximately 60 day inventory target.

Q. Are there any plants whose inventory levels were above Company targets as of December 2009?

A. Yes, inventory levels at the Cholla, Craig and Dave Johnston plants were above target. The test period reflects the inventory levels at these plants reduced to Company target by the end of the test period.

Q. How does Mr. Leckie treat these plants in his analysis?

A. Mr. Leckie readily accepts the Company's projected inventory reductions at these plants while ignoring those plants whose inventory levels were increased to align with prudent inventory target levels.

Q. Does the Company expect to reduce inventory levels?

A. There are no plans to reduce plant inventory levels below test period ending balances. The Company will continue to seek opportunities to efficiently manage fuel cost and quality through effective management of its inventory. Further, the Company may need to revise its inventory targets in Utah to even higher levels as longwall mining operations continue to deplete and the Company faces uncertain labor negotiations with the Deer Creek represented workforce.

Q. Can you please identify the primary driver of the Company's increase in test period fuel stock?

A. Yes. Of the $24.6 million system increase in fuel stock, $24.9 million is driven by price increases in the cost per ton coal, with $0.3 million reduction due to volume related costs as reflected in Exhibit No. 64.

Q. Did Mr. Leckie review the average price per ton per stockpile?

A. Yes, Mr. Leckie found the average cost per ton to be reasonable for valuing the total value of stockpile.

Q. Please summarize the Company's position regarding the IPUC Staff's proposed fuel stock disallowance.

A. The Company believes the Commission should reject the IPUC Staff's proposed $15,970,759 disallowance. Mr. Leckie adjusted inventory levels in Utah without considering the interrelationship between stockpiles and the economic benefits of the higher stockpile levels in Utah. Further, Mr. Leckie's analysis ignores the supply risks associated with maintaining adequate inventory levels, particularly in Wyoming.

Jim Bridger Fuel Deration

Q. Please explain PIIC's, proposal related to the fuel at the Bridger Plant.

A. PIIC argues that the quality of fuel at the Bridger Plant has resulted in an unnecessarily high number of derations at the plant. PIIC argues that additional costs resulting from fuel quality problems at the Bridger Plant be disallowed, resulting in $800,037 (system) decrease in net power costs. PIIC also proposes to remove $1,660,000 (system) related to labor and benefits costs at Bridger Coal from the test period expenses.

Q. Do you agree that the fuel quality at the Bridger plant resulted in additional derations relative to other coal plants?

A. Yes. All coal plants are affected by changes in coal quality and their ability to blend coals. In coal mining, quality can vary dramatically from seam to seam or within a seam. Both Bridger Coal Company and the Jim Bridger Plant have established coal quality targets for heat value, ash, sulfur, sodium, etc. Through vigorous blending, both the Bridger mine and the Bridger plant minimize quality variations that undermine optimal plant performance.

Q. Are there times when Bridger Coal deliveries have not met established targets?

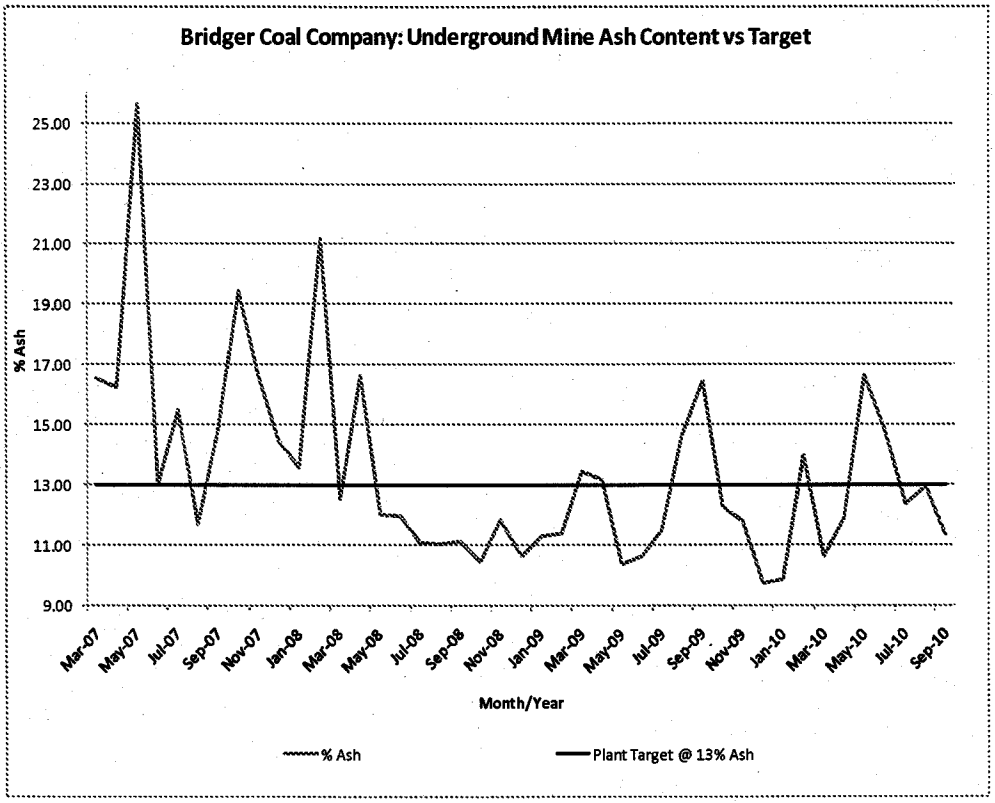
A. Yes. Although the Bridger mine does attempt to deliver a consistent product, at times it is limited by the size and quality of the mine stockpiles and physical logistics. Bridger mine's surface operation historically delivered a consistent coal blend through mining of coal in multiple exposed seams. The development of the underground mine and the scaling back of the surface operation has resulted in

increased blending requirements, greater unpredictability in coal deliveries and the potential for extended periods of high ash coal production.

For instance, if the longwall system is in an area in which the coal seam thickness is less than the minimum cutting height of the longwall shearer, coal quality will be negatively impacted. Similarly, if the coal seam is diluted with in-seam partings, coal quality will be negatively impacted.

Q. How has Bridger Coal quality changed with underground mining?

A. Bridger Coal Company's ash content is currently the critical quality characteristic. As reflected in the chart below, Bridger Coal Company and the Bridger Plant have established 13 percent as the maximum ash content for optimal plant performance. Prior to underground mining, the mine consistently delivered the Jim Bridger plant coal with a maximum of 13 percent ash. With the advent of underground mining, however, the calculated ash content has at times exceeded 13 percent ash.



Q. Does the Company routinely blend for ash content at its other locations?

A. All of the coal produced in Utah is currently from underground mining. All of these mines, at times, produce coals that do not meet contract specifications. Coal stockpiling and blending facilities at the Hunter and Huntington plants enable the Company to mix these coals as necessary to provide the power plants with a consistent coal quality. These facilities allow the Company to efficiently and economically segregate, stockpile, and reclaim underground coal based on a particular coal quality. Without a similar facility at the Bridger Plant, both the Bridger mine and the Bridger plant are potentially limited at times in their ability to blend Bridger underground coal during periods of high ash and low heat content.

Q. Is Bridger Coal evaluating options to improve its blending capabilities?

A. Yes. The Bridger mine currently has stacking tubes adjacent to the underground portal that partially alleviate the quality fluctuations. The mine modified the stockpile footprint of one of its truck dump stations to further segregate coal quality produced by the underground mine. The mine is evaluating enlarging the footprint of this truck dump station to create an even larger inventory surface area to accommodate the expected underground coal quality variability.

Q. Do you agree with PIIC that costs associated with the additional derations should be removed from NPC?

A. No. It is inappropriate to remove costs associated with "low-quality" coal from the underground mine, but accept the lower coal costs that result from the favorable economics associated with underground mining. In addition, PIIC incorrectly assumes that the total costs at the Bridger plant would not change from what the Company has included in its filing even though the generation at the plant has increased due to removal of the outages due to "low-quality" coal.

Q. Are there coal quality advantages with the Bridger underground?

A. Yes, the lower sodium content allowed the Bridger plant to minimize potential slagging issues from March 2007 through February 2009 when the Black Butte mine delivered high sodium coal. Due to limited production, Black Butte coal deliveries average in excess of 4.5 percent sodium. The sodium content target is less than 3 percent. Without Bridger's lower sodium coal, the Bridger plant would have sustained deratings due to boiler slagging.

Q. What impact would increasing the ratio of surface coal to underground coal have on Bridger Coal deliveries?

A. Increasing surface production at the expense of the underground production would likely result in lower ash coal content but higher fuel costs.

Q. Why would Bridger plant fuel costs increase?

A. Increasing the ratio of surface production would likely require additional coal production as the average heat content of the underground operation is typically 200 to 300 British thermal units per pound higher than the surface operation. Additionally, the estimated incremental cost of the surface operation is greater than the estimated decremental cost of the underground operation.

Q. Please explain the nature of the $1,660,000 (system) PIIC proposes removing from test period net power costs as they relate to Bridger Coal?

A. Almost $1,616,000, or 97 percent, of this disallowance is associated with management and union incentives at Bridger Coal Company. Each union employee must meet specific safety goals to be eligible for the incentive, safety incentives are $698,000 of PIIC's adjustment. The remaining amount, $918,000, is paid to management employees based on each individual's performance. Management incentives are an important part of the compensation structure. Offering competitive total compensation, including wages and benefits, is critical to Bridger Coal's efforts to attract and retain employees. Bridger mine management employees are eligible for the same annual incentive program as Rocky Mountain Power employees. Mr. Wilson discusses the Company's incentive program in his rebuttal testimony.

The remainder of this adjustment is primarily associated with meal expenses. The majority of the meal expenses are incurred during mine safety training events for surface and underground workforce as well as meal expenses associated with business travel.

Q. Do you agree with PIIC that these labor and benefit costs should be removed from NPC?

A. No. PIIC's proposed adjustment is arbitrary and is unrelated to coal quality issues at the Bridger plant. PIIC's disallowance of costs related to mine safety is completely incompatible with the Company's mission to provide a safe working environment. The Company has spent considerable time identifying quality parameters that result in optimized plant performance for its thermal fleet. Bridger mine and Bridger plant personnel focus on coal deliveries and coal quality. Since the majority of the coal blending occurs at the Bridger mine, Bridger mine deliveries are often adjusted daily. Both the increase in Bridger plant's long-term storage capacity and the Bridger mine's ongoing evaluation of increasing surface storage capacity are indicative of the Company's focus on pursuing economic options that maximize performance.

Q. Does this conclude your rebuttal testimony?

A. Yes

Case No. PAC-E-10-07
Exhibit No. 64
Witness: Cindy A. Crane

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

ROCKY MOUNTAIN POWER

Exhibit Accompanying Rebuttal Testimony of Cindy A. Crane

Fuel Stock Balances

November 2010

Case No. PAC-E-10-07
Cindy A Crane

Fuel Stock Balances(Tons)

Utah Plants	2009	2010	Staff Adjustment	Actual Increase
Carbon	65,964	60,085	0	(5,879)
Hunter	1,909,982	1,912,737	2,755	2,755
Huntington	823,012	594,806	0	(228,206)
Deer Creek	12,000	12,500	500	500
Prep Plant	951,003	1,002,037	51,035	51,035
Rock Garden	578,823	825,224	246,400	246,400
Subtotal	4,340,784	4,407,390	300,691	66,606
Bridger	594,639	773,972	179,333	179,333
Cholla	359,760	232,806	0	(126,955)
Colstrip	40,565	39,386	0	(1,178)
Craig	143,744	102,538	0	(41,206)
Hayden	40,372	51,692	11,320	11,320
Johnston	492,153	467,237	0	(24,916)
Naughton	283,084	350,267	67,183	67,183
Other Plants	1,954,318	2,017,898	257,835	63,580
Total Inventory	6,295,102	6,425,288	558,526	130,186

Fuel Stock Balances (Dollars)

Utah Plants	2009	2010	Difference	Volume Related Increase	Price Related Increase	Staff Adjustment	$/Ton
Carbon	$ 2,245,029	$ 1,977,713	$ (267,316)	(193,495)	(73,821)	0	$ 32.92
Hunter	52,744,560	57,057,006	4,312,446	82,194	4,230,252	82,194	$ 29.83
Huntington	21,203,112	26,806,196	5,603,084	(10,284,592)	15,887,676	0	$ 45.07
Deer Creek	339,146	894,169	555,022	35,774	519,248	35,774	$ 71.53
Prep Plant	23,494,874	26,296,831	2,801,957	1,339,319	1,462,638	1,339,319	$ 26.24
Rock Garden	15,954,074	22,542,451	6,588,377	6,730,867	(142,490)	6,730,867	$ 27.32
Subtotal	$ 115,980,796	$ 135,574,366	$ 19,593,570	$ (2,269,932)	$ 21,883,503	$ 8,188,155	$ 30.76
Bridger	$ 14,845,028	$ 23,604,575	$ 8,759,547	5,469,296	3,290,251	5,469,296	$ 30.50
Cholla	12,069,947	7,782,355	(4,287,592)	(4,243,908)	(43,684)	0	$ 33.43
Colstrip	741,589	640,850	(100,738)	(19,174)	(81,565)	0	$ 16.27
Craig	4,097,329	3,148,236	(949,093)	(1,265,154)	316,061	0	$ 30.70
Hayden	1,496,493	1,993,277	496,784	436,490	60,294	436,490	$ 38.56
Johnston	5,813,307	5,751,225	(62,082)	(306,692)	244,610	0	$ 12.31
Naughton	8,590,902	9,785,097	1,194,195	1,876,818	(682,623)	1,876,818	$ 27.94
Other Plants	$ 47,654,594	$ 52,705,615	$ 5,051,021	$ 1,947,676	$ 3,103,345	$ 7,782,604	$ 26.12
Total Inventory	$ 163,635,390	$ 188,279,981	$ 24,644,591	$ (342,256)	$ 24,986,848	$ 15,970,759	$ 29.30

Exh. No. ___
Witness: Greg Nelson
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Rocky Mountain Power
Exhibit No. 64 Page 1 of 1
Case No. PAC-E-10-07
Witness: Cindy A. Crane