

August 10, 2011

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Attn: David W. Danner
Executive Director and Secretary

**RE: Docket UE-110979
Supplement to PacifiCorp's 2010 Affiliated Interest Report**

Dear Mr. Danner:

PacifiCorp d.b.a. Pacific Power & Light Company (PacifiCorp or Company) hereby submits an original and two (2) copies of this supplemental filing to its Affiliated Interest Report for calendar year 2010 (2010 AI Report). On May 31, 2011, pursuant to WAC 480-100-264, PacifiCorp filed the 2010 AI Report. The 2010 AI Report included unaudited financial statements for Trapper Mining Inc. The audited financial statements are now available. Included with this supplemental filing is the audited income statement and balance sheet for Trapper Mining Inc.

It is respectfully requested that all formal correspondence and Staff requests regarding this filing be addressed to the following:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to me at (503) 813-6043.

Sincerely,



Andrea L. Kelly
Vice President, Regulation

Enclosures

cc: Michael Foisy, WUTC

Trapper Mining Inc. and Subsidiaries

Consolidated Financial Statements as of and for the
Years Ended December 31, 2010 and 2009, and
Independent Auditors' Report

TRAPPER MINING INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Members of
Trapper Mining Inc.:

We have audited the accompanying consolidated balance sheets of Trapper Mining Inc. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income, members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

June 13, 2011

TRAPPER MINING INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,448,198	\$ 7,911,084
Accounts receivable	5,707,336	7,158,916
Supplies	6,172,597	5,798,271
Prepaid and other current assets	412,462	1,310,947
Current reclamation receivable from buyers	2,476,585	688,820
Current deferred income tax asset		<u>60,000</u>
Total current assets	<u>28,217,178</u>	<u>22,928,038</u>
PROPERTY, EQUIPMENT, AND FACILITIES:		
Surface land and coal leaseholds	24,974,645	20,984,578
Development costs	2,834,815	2,834,815
Equipment and facilities	<u>116,787,943</u>	<u>108,817,157</u>
Total property, equipment, and facilities	144,597,403	132,636,550
Less accumulated depreciation and amortization	<u>(94,715,290)</u>	<u>(87,506,110)</u>
Property, equipment, and facilities — net	49,882,113	45,130,440
RECLAMATION RECEIVABLE FROM BUYERS	11,516,181	10,913,070
ACQUIRED GE ROYALTY — Net	5,454,546	6,818,182
DEFERRED INCOME TAX ASSET		1,079,000
RESTRICTED FUNDS	500,000	500,000
DEFERRED LOAN FEES — Net	<u>144,366</u>	<u>174,872</u>
TOTAL	<u>\$ 95,714,384</u>	<u>\$ 87,543,602</u>

(Continued)

TRAPPER MINING INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2010 AND 2009

	2010	2009
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,229,302	\$ 1,993,196
Accrued payroll expenses	2,616,967	2,578,102
Accrued production taxes	1,817,123	1,323,650
Accrued royalties	440,179	241,943
Deferred reclamation revenue	36,868	
Current asset retirement liability	2,476,585	765,355
Current portion of long-term debt	<u>5,009,714</u>	<u>4,084,859</u>
Total current liabilities	15,626,738	10,987,105
LONG-TERM DEBT	16,470,959	15,824,119
ASSET RETIREMENT LIABILITY	19,377,343	17,958,177
DEFERRED INCOME TAX LIABILITY		1,210,000
BLACK LUNG LIABILITY	<u>272,237</u>	<u>277,953</u>
Total liabilities	51,747,277	46,257,354
COMMITMENTS AND CONTINGENCIES (Note 9)		
MEMBERS' EQUITY	<u>43,967,107</u>	<u>41,286,248</u>
TOTAL	<u>\$ 95,714,384</u>	<u>\$ 87,543,602</u>

See notes to consolidated financial statements.

(Concluded)

TRAPPER MINING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
TONS OF COAL SOLD:		
Fuel agreement	\$ 1,477,267	\$ 1,468,850
Other sales	<u>714,302</u>	<u>652,356</u>
Total tons of coal sold	<u>2,191,569</u>	<u>2,121,206</u>
OPERATING REVENUES:		
Coal sales	59,016,716	58,511,343
Reclamation, mine health, and safety	5,812,724	5,810,178
Ash disposal	1,769,525	1,709,710
Gravel sales	<u>88,440</u>	<u>88,440</u>
Total operating revenues	<u>66,598,965</u>	<u>66,119,671</u>
OPERATING COSTS AND EXPENSES:		
Stripping	31,456,902	26,230,727
Mining	8,588,729	8,374,414
Production and other taxes	4,084,051	3,446,797
Royalties	6,954,156	5,363,477
Reclamation, mine health, and safety	7,449,608	8,653,807
Ash disposal	1,748,389	1,444,656
General and administrative	2,555,139	2,703,868
Exploration	36,986	
Gravel	<u>3,220</u>	<u>144,159</u>
Total operating costs and expenses	<u>62,877,180</u>	<u>56,361,905</u>
INCOME FROM OPERATIONS	<u>3,721,785</u>	<u>9,757,766</u>
OTHER (EXPENSE) INCOME:		
Interest income	153,958	148,843
Interest expense	(1,242,895)	(457,908)
Other expense	<u>(158)</u>	<u></u>
Total other expense	<u>(1,089,095)</u>	<u>(309,065)</u>
NET INCOME BEFORE TAXES	<u>2,632,690</u>	<u>9,448,701</u>
INCOME TAX (BENEFIT) PROVISION:		
Current	22,831	(6,211)
Deferred	<u>(71,000)</u>	<u>71,000</u>
Total income tax (benefit) provision	<u>(48,169)</u>	<u>64,789</u>
NET INCOME	<u>\$ 2,680,859</u>	<u>\$ 9,383,912</u>
NET INCOME:		
From member activity	\$ 2,428,611	\$ 8,383,827
From nonmember activity	<u>252,248</u>	<u>1,000,085</u>
TOTAL NET INCOME	<u>\$ 2,680,859</u>	<u>\$ 9,383,912</u>

See notes to consolidated financial statements.

TRAPPER MINING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Patronage	Capital Reserve	Paid-In Capital	Members' Equity
BALANCE — January 1, 2009	\$ 11,407,879	\$ 940,301	\$ 20,324,925	\$ 32,673,105
Net income	8,383,827	1,000,085		9,383,912
Patronage distributions	<u>(770,769)</u>	<u> </u>	<u> </u>	<u>(770,769)</u>
BALANCE — December 31, 2009	19,020,937	1,940,386	20,324,925	41,286,248
Net income	<u>2,428,611</u>	<u>252,248</u>	<u> </u>	<u>2,680,859</u>
BALANCE — December 31, 2010	<u>\$ 21,449,548</u>	<u>\$ 2,192,634</u>	<u>\$ 20,324,925</u>	<u>\$ 43,967,107</u>

See notes to consolidated financial statements.

TRAPPER MINING INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,680,859	\$ 9,383,912
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,336,593	7,543,350
Accretion expense	1,162,839	996,272
Deferred income taxes	(71,000)	71,000
Loss on sale of assets	1,858	
Change in operating assets and liabilities:		
Accounts receivable	1,451,580	(2,712,741)
Supplies	(374,326)	(1,027,345)
Reclamation receivable from buyers	(2,998,822)	(1,278,818)
Reclamation liability settled	(623,818)	(1,297,243)
Prepaid and other current assets	898,485	(971,498)
Accounts payable and accrued liabilities	2,003,548	833,863
Black lung liability	(5,716)	8,100
Total adjustments	<u>10,781,221</u>	<u>2,164,940</u>
Net cash provided by operating activities	<u>13,462,080</u>	<u>11,548,852</u>
CASH FLOWS FOR INVESTING ACTIVITIES:		
Capital expenditures	(3,842,703)	(8,043,893)
Proceeds from redemption of restricted securities	500,000	500,000
Purchase of restricted securities	(500,000)	(500,000)
Proceeds from sale of assets	667	
Net cash used in investing activities	<u>(3,842,036)</u>	<u>(8,043,893)</u>
CASH FLOWS FOR FINANCING ACTIVITIES:		
Payment of patronage distributions		(770,769)
Principal payments on long-term debt	(4,085,137)	(4,858,115)
Borrowings on long-term debt		2,031,896
Refund (payment) of loan fees	2,207	(181,180)
Net cash used in financing activities	<u>(4,082,930)</u>	<u>(3,778,168)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,537,114	(273,209)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>7,911,084</u>	<u>8,184,293</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 13,448,198</u>	<u>\$ 7,911,084</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 1,176,016</u>	<u>\$ 426,723</u>
Cash paid for income taxes	<u>\$ 15,000</u>	<u>\$ 173,000</u>
Noncash capital expenditures financed through debt	<u>\$ 5,656,832</u>	<u>\$ 19,639,434</u>
Capital expenditures accrued in accounts payable	<u>\$ 34,724</u>	<u>\$ 82,071</u>

See notes to consolidated financial statements.

TRAPPER MINING INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

1. ORGANIZATION AND OPERATION OF THE COMPANY

Trapper Mining Inc., a Delaware corporation, was formed in December 1997 as a cooperative. Williams Fork Company (WFC) and its wholly owned operating subsidiary, Trapper Mining, Inc., a Colorado Corporation, were merged into Trapper Mining Inc. on January 1, 1998. Williams Fork Mining Company (WFMC), another subsidiary of WFC was not merged and is now a wholly owned subsidiary of Trapper Mining Inc. WFMC is engaged in the business of gravel excavation. Williams Fork Land Company (WFLC), a Colorado Corporation and wholly owned subsidiary of Trapper Mining Inc., was formed January 21, 2010. WFLC purchases, holds, and manages any lands outside of Trapper's current permit boundary that may be of strategic or other interest. In addition, activities related to the evaluation and permitting of tracts outside of Trapper's current permit boundary will be conducted by WFLC. Trapper Mining Inc., WFMC and WFLC are collectively referred to herein as ("Trapper" or the "Company"). Trapper is engaged in the business of mining, selling and delivering coal from the Trapper Mine located near Craig, Colorado to its members under two agreements with the Craig Power Station ("Fuel Agreement" and "Coal Supply Agreement"), located adjacent to the Trapper Mine.

Cooperative member interests in Trapper are as follows:

Salt River Project Agricultural Improvement and Power District	32.10 %
Tri-State Generation and Transmission Association, Inc.	26.57
PacifiCorp Energy	21.40
Platte River Power Authority	<u>19.93</u>
	<u>100.00 %</u>

These four entities, together with Xcel Energy, Inc. (collectively, the "Buyers") own and operate the Craig Power Station.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of Trapper Mining Inc. and its wholly owned subsidiaries, WFMC and WFLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations — The Company is potentially subject to concentration of credit risk related to cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with high quality financial institutions. As of December 31, 2010 and December 31, 2009, excess operating funds of approximately \$13,152,000 and \$7,191,000, respectively, were match funded by the institution's capital in federally backed mortgage securities and the remaining balance falls within the

unlimited FDIC coverage offered by the institution for non-interest bearing transactions accounts. The Craig Power Station represented 99.2% and 98.7% of accounts receivable at December 31, 2010 and 2009, respectively. The Company believes the credit worthiness of this customer minimizes the Company's credit risk.

Members' Equity — Patronage represents the cumulative net gain from member activity. Member activity represents coal sales to members pursuant to the Craig Station Fuel Agreement, Coal Supply Agreement, qualifying spot sales, and a portion of the treasury function less direct and allocated costs. Capital reserve represents the cumulative net gain from non-member activity. Non-member activity represents that portion of contract sales applicable to Xcel Energy, Inc. ("Xcel"), nonqualifying spot sales, ash disposal, and a portion of the treasury function less direct and allocated costs. Allocated costs are generally determined based on the percentage of revenue generated.

Cash and Cash Equivalents — For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Restricted Funds — The Company accounts for its investments in accordance with ASC 320-10, *Accounting for Certain Investments in Debt and Equity Securities*. At December 31, 2010, Trapper held three certificates of deposit (CDs) with a total cost of \$500,000. These CDs were purchased August 2010 and \$10,000 is scheduled to mature in 2014 and \$490,000 is scheduled to mature in 2015. At December 31, 2009, Trapper held a held-to-maturity security with a fair market value of approximately \$494,000 and an amortized cost of \$500,000. The bond, scheduled to mature in 2014, was purchased in December 2009 and called by the issuer in June 2010. The certificates of deposit and security bond are designated for payment under the Black Lung Liability (see Note 4). Trapper had no available-for-sale or trading securities as of December 31, 2010 and 2009.

Supplies — Supplies are stated at the lower of weighted average cost or market. The supplies inventory is made up of spare materials to maintain the Company's property, equipment and facilities.

Property, Equipment, and Facilities — Equipment and facilities costs are depreciated over the estimated useful lives of the assets using the straight-line or units-of-production methods. Useful lives range from 3 years to 40 years. The Company recorded depreciation expense of approximately \$6,120,000 and \$4,083,000 for the years ended December 31, 2010 and 2009, respectively. Development costs and coal leaseholds are being amortized over estimated recoverable quantities of coal using the units-of-production method. Equipment under capital lease is stated at the net present value of minimum lease payments at the inception of the lease and depreciated over their estimated useful lives.

Revenue Recognition — Revenue is recognized when coal shipments are made and title transfers. Substantially all of the Company's sales are to entities that are exempt from sales taxes.

Income Taxes — The Company is a non-exempt cooperative and is taxed only on income from non-member activity and any patronage income not allocated to members. Patronage income allocated or distributed as patronage refunds is deductible in determining taxable income. At December 31, 2010, the Company had a net current deferred tax asset of approximately \$61,000 and a net long-term deferred tax liability of approximately \$4,000. The Company has fully allowed for these net deferred assets. At December 31, 2009, the Company had a net current deferred tax asset of approximately \$60,000 and a net long-term deferred tax liability of approximately \$131,000. A primary component of the deferred tax liabilities represent accelerated depreciation for tax purposes, which includes 50% and 100% bonus tax depreciation, while a significant deferred tax asset results from Alternative Minimum Tax carryforwards.

Deferred Financing Costs — Fees paid to lenders and related expenses have been deferred and are being amortized to interest expense over the life of the related debt on a straight-line basis, which approximates the effective interest rate method.

Impairment of Long-Lived Assets — ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires that long-lived assets be measured at the lower of carrying amount or fair value less costs to sell. Management does not believe current events or circumstances indicate that its long-lived assets are impaired for the years ended December 31, 2010 and December 31, 2009.

Fair Value of Financial Instruments — The following disclosure regarding the estimated fair value of the Company's financial instruments is made in accordance with accounting standards governing fair value measurements. Exit prices are used to measure financial assets and liabilities that fall within the scope of the fair value measurements guidance. Under this guidance, we are required to classify certain assets and liabilities based on the following fair value hierarchy:

Level 1 — Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 — Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

Level 3 — Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

This guidance requires the use of observable market data if such data is available without undue cost and effort. However, considerable judgment is required to interpret market data in order to develop the estimates of fair value. Accordingly, the estimates herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. For cash and cash equivalents, accounts receivable, restricted funds, and accounts payable, the carrying values are considered to be equivalent to fair value due to the short-term maturities. The fair value of the Company's fixed rate, long-term debt as of December 31, 2010 approximates the carrying amount, as the applicable interest rates approximate market and are designated as Level 2 within the valuation hierarchy.

Reclamation — The Company is obligated under terms of its mining permit to reclaim all land impacted by mining operations. The Company recognizes reclamation expenses in accordance with ASC 410-20, *Accounting for Asset Retirement Obligations*. The Company's long-term contracts with the Buyers (see Note 5) provides for the reimbursement of current reclamation costs related to coal sales under the long-term contracts. The Company is reimbursed monthly based upon an estimate of that calendar year's actual cost of reclamation.

The Company's mining permit requires the Company to maintain a performance bond (\$30.2 million at December 31, 2010, and \$30.1 million at December 31, 2009) to cover the estimated final reclamation costs that may be required following the termination of mining operations. The Fuel Agreement contract with the Buyers was amended in April 1992 to include a provision requiring payment by the Buyers of these mine closing costs beyond 2014.

Postemployment Benefits — All hourly employees are entitled to one year of postemployment disability benefits if, after the employees' vacation and sick pay have been exhausted, they are still disabled. The Company recognizes expense on the pay-as-you-go method. As of December 31, 2010 and 2009, there were no employees utilizing this benefit.

Acquired G.E. Royalty — On March 5, 2004, the Company purchased a royalty agreement between Trapper and General Electric Holdings Inc. ("G.E.") whereby Trapper was required to pay royalties to G.E. on all coal mined at Trapper Mine. The purchase was effective January 1, 2004. This asset is amortized using the straight-line method over the course of the original estimated remaining life of the mine (2014).

3. ROYALTIES

As of December 31, 2010 and 2009, the Company had the following recorded for the Acquired G.E. Royalty:

	December 31, 2010			December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
GE Royalty	<u>\$ 15,000,000</u>	<u>\$ 9,545,454</u>	<u>\$ 5,454,546</u>	<u>\$ 15,000,000</u>	<u>\$ 8,181,818</u>	<u>\$ 6,818,182</u>

The Company recorded amortization expense of \$1,363,636 related to its intangible assets during the years ended December 31, 2010 and 2009. As of December 31, 2010, amortization expense on intangible assets for future years is as follows:

Years Ending December 31	
2011	\$ 1,363,636
2012	1,363,636
2013	1,363,637
2014	1,363,637

The Company is obligated for other royalties on its various coal leases, which range from \$0.134 per ton to 12.5% of sales price. Effective January 1, 1998, Trapper and the United States Department of the Interior adjusted the method by which royalties under its federal leases are calculated. Royalties under the federal leases for member coal deliveries are calculated as 12.5% of mining costs, return and tax savings, while coal deliveries to Xcel remained at 12.5% of sales price. In June 2009, the United States Department of the Interior granted Trapper Mine a royalty rate reduction from 12.5% to 8% of the value of the coal for all surface mineable seams, for a period of 8 years or the production of 22,000,000 tons, whichever comes first, effective May 1, 2007. The 2009 royalty expense was reduced by \$1,785,459 related to 2007 and 2008 rate reductions. The 2009 coal sales revenue was also reduced by \$1,201,773 for 2007 and 2008 royalty price component reductions. The royalties are a fixed obligation and, accordingly, are billable for tons sold. Therefore, the Company includes the applicable amounts in operating costs and expenses and operating revenues, respectively, in the accompanying consolidated statements of income.

4. BLACK LUNG LIABILITY

The Company has an obligation to provide black lung disability benefits under the Federal Coal Mine Health and Safety Act to all coal miners presently employed, as well as retired miners hired subsequent to January 1, 1970.

The Company is self-insured for its black lung liability. As of December 31, 2010 and 2009, the Company has accrued approximately \$272,000 and \$278,000, respectively, for this liability and recorded income of approximately \$5,700 due to an actuarial study conducted in the current year and expense of \$8,100, respectively, for the years then ended. The Company maintains separate investment accounts designated for the Black Lung Insurance Fund (see Note 2).

5. RELATED-PARTY TRANSACTIONS

Coal Sales — The Company has a long-term coal sales contract (“Fuel Agreement”) with the Buyers which accounted for 67.4% of 2010 and 69.2% of 2009 coal sales. The contract provides for a maximum amount of fuel containing 1,830 trillion BTU (approximately 65 million tons) to be delivered to the Buyers through approximately the year 2014. The contract provides for periodic escalations to the sales price based on changes in certain cost indices (labor, royalties, etc.), and for periodic audits by the Buyers.

Percentage interests in the long-term coal sales contract held by the Buyers are as follows:

	Percentage of Coal Sales Contract
Salt River Project Agricultural Improvement and Power District	29.00 %
Tri-State Generation and Transmission Association, Inc.	24.00
PacifiCorp Energy	19.28
Platte River Power Authority	18.00
Xcel Energy, Inc.	9.72
	<u>100.00 %</u>

On September 18, 2009, the Company entered into a Craig Station Long-Term Coal Supply Agreement with the cooperative members (see Note 1). The term of this Agreement shall be a period commencing on January 1, 2010 and ending on December 31, 2020 with a maximum amount of fuel containing 385.3 trillion BTU (approximately 19.7 million tons) delivered to the members. This contract accounted for 32.6% of 2010 coal sales.

Based on coal reserve estimates prepared by the Company’s engineers, it is the opinion of the Company’s management that adequate coal reserves exist to fulfill these long-term contracts.

Ash Disposal — Trapper has contracted with the Buyers to dispose of the coal ash produced by the Buyers’ power station adjacent to Trapper Mine. Trapper is paid on a negotiated per truck load basis and this activity is reflected as ash disposal revenue and expense in the accompanying consolidated statements of income.

6. BENEFIT PLANS

Trapper's workforce is comprised of 79% union employees. They are represented by International Union of Operating Engineers Local No. 9. The current union contract expires November 30, 2015.

The Company has a salary deferral 401(k) plan for all salaried employees. Employer contributions to the Employer Basic Account generally equal 10.05% of employees' compensation and vest over a five-year period. Employer contributions to the Supplemental Account generally equal 2.5% of employees' compensation and are 100% vested when contributed. Employee contributions are 100% vested when contributed. Contributions to the plans are accrued and expensed in the period in which salaries and wages are earned.

The Company also has a 401(k) plan for union employees. The union plan is administered by the Company and full time union employees are eligible after 30 days of service. No employer contribution to the plan is required and employees may contribute up to 50% of their compensation. Such contributions are 100% vested when contributed.

Under the terms of the union contract, the Company is obligated monthly to pay into the Central Pension Fund of the International Union of Operating Engineers and Participating Employers. This multi-employer pension plan defines set rates, eligible hours worked, eligible employees and is separate from the 401(k) plans.

Total expense under the plans was approximately \$1,368,000 and \$1,323,000 for the years ended December 31, 2010 and 2009, respectively.

7. ASSET RETIREMENT OBLIGATIONS

ASC 410-20 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company's asset retirement obligation (ARO) liabilities primarily consist of spending estimates related to reclaiming surface land and support facilities at both surface and underground mines in accordance with federal and state reclamation laws as defined by each mine permit.

The Company estimates its ARO liabilities for final reclamation and mine closure based upon detailed engineering calculations of the amount and timing of the future cash spending for a third party to perform the required work. Spending estimates are escalated for inflation, then discounted at the credit adjusted risk-free rate. Asset retirement obligations are initially recorded as a liability based on fair value, which is calculated as the present value of the estimated future cash flows, in the period in which it is incurred. The Company records an ARO asset associated with the discounted liability for final reclamation and mine closure. The corresponding asset is recorded at fair value in the period in which the liability is incurred. The ARO asset is amortized on the straight-line method over its expected life and the ARO liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and asset are recognized at the appropriate credit-adjusted risk-free rate.

A reconciliation of the Company's liability for asset retirement obligations for the years ended December 31, 2010 and 2009, is as follows:

	2010	2009
Balance — January 1	\$ 18,723,532	\$ 16,371,595
Liabilities incurred	3,810,887	1,595,918
Liabilities settled	(623,818)	(1,297,243)
Change in estimate	(1,219,512)	1,056,990
Accretion expense	<u>1,162,839</u>	<u>996,272</u>
Balance — December 31	21,853,928	18,723,532
Less current portion of asset retirement liability	<u>(2,476,585)</u>	<u>(765,355)</u>
Total non-current asset retirement liability	<u>\$ 19,377,343</u>	<u>\$ 17,958,177</u>

Trapper has an agreement with its Buyers where the Buyers will reimburse Trapper for reclamation activities after the mine closes, which is anticipated to occur in 2020 (see Note 5). As of December 31, 2010 and 2009, the Company had recorded a current receivable of approximately \$2,477,000 and \$689,000 and a long-term receivable of approximately \$11,516,000 and \$10,913,000, respectively. These reimbursements increase the revenue that Trapper recognizes for its reclamation activities. As of December 31, 2010 and 2009, the Company has recorded a net ARO asset within property, equipment, and facilities – net, of approximately \$7,861,000 and \$6,511,000, respectively.

8. DEBT

Debt as of December 31, 2010 and 2009, is as follows:

	2010	2009
Long-term bank loan - LeTourneau loader	\$ 5,561,898	\$ 6,969,547
Long-term bank loan - Grader	612,996	745,518
Long-term bank loan - Construction loan	5,656,832	
Capital finance leases	<u>9,648,947</u>	<u>12,193,913</u>
Total debt	21,480,673	19,908,978
Less current portion of debt	<u>(5,009,714)</u>	<u>(4,084,859)</u>
Total non-current debt	<u>\$ 16,470,959</u>	<u>\$ 15,824,119</u>

As of December 31, 2010, the future payments on long-term debt are as follows:

Years Ended December 31	Long Term Bank Loans	Capital Finance Leases	Total
2011	\$ 2,310,735	\$ 3,195,214	\$ 5,505,949
2012	2,436,061	3,195,213	5,631,274
2013	2,573,064	3,195,213	5,768,277
2014	1,824,517	1,065,071	2,889,588
2015	848,071		848,071
Thereafter	<u>1,839,278</u>		<u>1,839,278</u>
Total payments	11,831,726	10,650,711	22,482,437
Less amounts representing interest		<u>1,001,764</u>	<u>1,001,764</u>
Total debt	<u>\$ 11,831,726</u>	<u>\$ 9,648,947</u>	<u>\$ 21,480,673</u>

The Company has two long-term bank loans with Bank of Colorado dated June 15, 2009 and December 1, 2009, in the amounts of \$7,650,000 and \$745,518 for the purchase of a LeTourneau loader and a Caterpillar grader, respectively. The re-payments schedules are based on 20 quarterly installments beginning September 15, 2009 and March 15, 2010, and continuing each 15th day of each consecutive third month thereafter, respectively, with an interest rate of 5.35% calculated on the unpaid balances. These long-term loans are collateralized by substantially all the assets of the Company as well as proceeds from the Craig Station Fuel Agreement and excluding four Komatsu haul trucks. The long-term loans are subject to compliance with financial covenants relating to the current ratio and tangible net worth. The Company was in compliance with these covenants at December 31, 2010 and December 31, 2009.

The Company has four capital finance leases with Wells Fargo Equipment Finance, Inc. dated August 27, 2009, in the amounts of \$3,575,828, \$3,233,328, \$3,233,328, \$3,233,328, respectively for the purchase of four Komatsu haul trucks. The re-payment schedules are based on 57 monthly payments in advance beginning September 15, 2009 and continuing on the 15th day of each month with an interest rate of 5.89% calculated on the unpaid principal balances.

At December 31, 2010 and 2009, the gross book value of equipment under capital leases was \$13,201,341 with a net carrying value of \$11,454,701 and \$12,843,042, respectively. Amortization of assets recorded under capital leases are recorded as depreciation expense.

Trapper had a long-term bank loan with First National Bank of the Rockies dated March 5, 2004 requiring: 19 quarterly interest payments with payments occurring on the last day of each quarter starting March 31, 2004, with interest calculated on the outstanding principal balance based on the Wall Street Journal Prime Rate (3.25% at June 15, 2009), and 15 quarterly principal payments of \$750,000 each with payments occurring on the last day of each quarter starting March 31, 2005 until December 31, 2008, when a final payment of \$3,750,000 was due. The remaining balance of \$3,000,000 at December 31, 2008, had been extended with the following payment schedule: 4 quarterly interest payments with payments occurring on the last day of each quarter starting March 31, 2009, with interest calculated on the outstanding principal balance based on the Wall Street Journal Prime Rate (3.25% at December 31, 2008), and 4 quarterly principal payments of \$750,000 each with payments occurring on the last day of each quarter starting March 31, 2009 until December 31, 2009. This long-term loan was

paid off early without penalty on June 15, 2009, and was used to fund the G.E. Royalty Buyout and was collateralized by substantially all the assets of the Company as well as proceeds from the Craig Station Fuel Agreement.

The Company had a capital finance lease with Caterpillar Financial Services Corporation dated March 30, 2006, in the amount of \$1,596,516. The re-payment schedule was based on 36 equal monthly installments with an interest rate of 5.85% on the unpaid balance. This lease was paid off during the year ended December 31, 2009.

On December 18, 2009, the Company entered into a Construction and Term Loan Agreement with Bank of Colorado to fund the construction of a new maintenance shop building. Disbursements were made by monthly draw requests (\$5,656,832 and \$0 at December 15, 2010 and December 31, 2009, respectively) submitted by the Company. The re-payment schedule is based on 4 quarterly interest only payments beginning March 15, 2010 and continuing on the 15th day of each consecutive third month thereafter of that year, with an interest rate of 5.35% calculated on the unpaid principal balance. On December 15, 2010, the loan converted from a construction loan to an amortized term loan in the amount of \$5,656,832 and remains outstanding as of December 31, 2010. The re-payment schedule is based on 20 quarterly payments beginning March 15, 2011 and continuing on the 15th day of each consecutive third month thereafter, with an interest rate of 5.35% calculated on the unpaid balance. Beginning March 15, 2016 the re-payment schedule is based on 8 quarterly payments and continues on the 15th day of each consecutive third month thereafter, with a variable interest rate equal to the FHLB rate plus 2.5 percentage points, adjusted annually, calculated on the unpaid principal balance. In no event will the variable interest rate be less than 5% nor more than 7%. Collateral consists of substantially all assets of the Company as well as proceeds from the Craig Station Fuel Agreement and excluding four Komatsu haul trucks. The loan is subject to compliance with financial covenants relating to the current ratio and tangible net worth. The Company was in compliance with these covenants at December 31, 2010.

9. COMMITMENTS AND CONTINGENCIES

In accordance with the Fuel Agreement (see Note 1), cost savings that arise from increased productivity at the Trapper Mine are shared with the Buyers. Trapper passes these savings on to the Buyers via credits on sales invoices. To ensure the credits are appropriately passed on to the Buyers an audit of Trapper sales invoices is performed annually.

10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 13, 2011, which is the date the financial statements were issued.

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