- 1 Q. Please state your name, business address and present position with
- 2 PacifiCorp dba Rocky Mountain Power ("the Company").
- 3 A. My name is Cindy A. Crane. My business address is 1407 West North Temple,
- 4 Suite 310, Salt Lake City, Utah 84116. My position is Vice President, Interwest
- 5 Mining Company and Fuel Resources for PacifiCorp Energy.

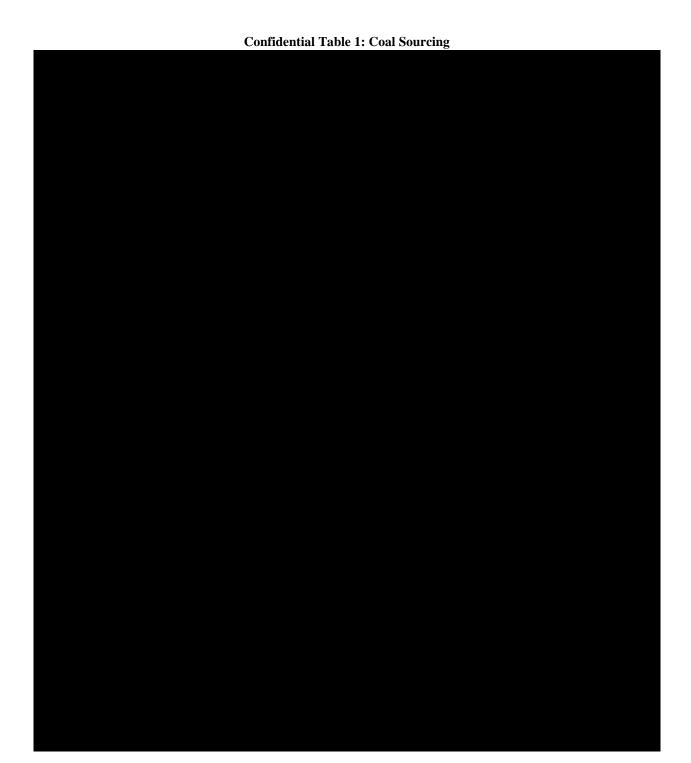
6 Qualifications

- 7 Q. Briefly describe your professional experience.
- 8 A. I joined PacifiCorp in 1990 and have held positions of increasing responsibility,
- 9 including Director of Business Systems Integration, Managing Director of
- Business Planning and Strategic Analysis, and Vice President of Strategy and
- Division Services. My responsibilities have included the management and
- development of PacifiCorp's 10-year business plan, assessing individual business
- strategies for PacifiCorp Energy, managing the construction of the Company's
- Wyoming wind plants, and assessing the feasibility of a nuclear power plant. In
- March 2009, I was appointed to my present position as Vice President of
- 16 Interwest Mining Company and Fuel Resources. In my position I am responsible
- 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
- 19 coal-fired generating plants.

Purpose and Summary

- 21 Q. What is the purpose of your testimony?
- 22 A. I explain the Company's overall approach to providing the coal supply for the
- Company's coal-fired generating plants and support for the level of coal costs

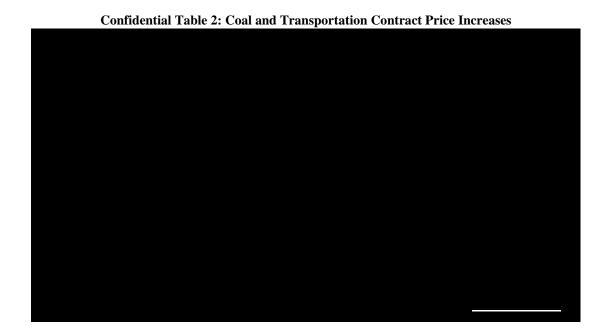
24		included in fuel expense in this case.
25	Q.	Please summarize your testimony.
26	A.	My testimony:
27		• Explains the primary causes of the \$96.5 million price related coal cost
28		increase reflected in the 2014 Utah general rate case for the June 2015 ending
29		test period ("Test Period");
30		· Provides background on the third-party coal contracts and current contract
31		price re-openers;
32		• Reviews the Company's affiliate mine coal costs; and
33		• Discusses the increasing sulfur content of the Company's coal supplies.
34	Over	view of the Company's Coal Supplies
35	Q.	How does the Company plan to meet fuel supplies for its coal plants for the
36		test period?
37	A.	As reflected below in Confidential Table 1: Coal Sourcing, the Company employs
38		a diversified coal supply strategy. The Company will supply approximately 65.8
39		percent of its coal requirements with third party coal supplies and 34.2 percent
40		with coal from the Company's affiliate mines. Approximately 29.5 percent of the
41		Company's total coal requirements are supplied under fixed-price contracts, 32.0
42		percent under contracts that escalate or de-escalate based on changes to producer
43		and consumer price indices, 4.0 percent will be supplied to the Dave Johnston
44		plant from currently unidentified Powder River Basin mines and the remaining
45		0.3 percent represents the consumption of Carbon plant inventory associated with
46		the plant closure in April 2014.



- 47 Q. Please explain how the Company's Utah plants are supplied with coal.
- 48 A. The Utah plants are sourced collectively through a diversified portfolio of coal supplies. While the Deer Creek mine supplies primarily the Huntington plant and

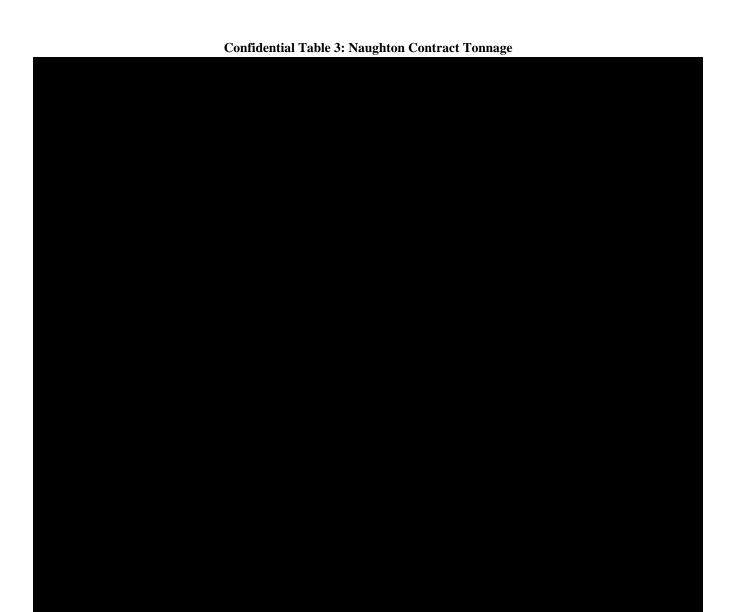
50		a portion of the Hunter plant, the contract coal supplies are typically
51		interchangeable between the plants.
52	Q.	Why is it important that they be interchangeable?
53	A.	Interchangeable coal supplies allow the Company to minimize transportation
54		costs between the coal mines and generating plants while ensuring the coal quality
55		blend meets plant quality specifications.
56	Q.	Please explain the reference to spot/unidentified coal for the Dave Johnston
57		plant in Confidential Table 1 above, in the context of the current fuel
58		strategy for the Dave Johnston plant.
59	A.	The Dave Johnston plant is projected to consume approximately 3.5 million tons
60		during the Test Period; the Company currently has 2.5 million tons of coal for the
61		plant under contract. The Company intends to solicit multi-year coal supplies
62		from Powder River Basin mines during the second quarter of 2014.
63	Coal	Cost Increases
64	Q.	Do coal costs in the Test Period reflect an increase from levels reflected in the
65		Company's 2012 general rate case ("2012 GRC"), a test period ending May
66		2013?
67	A.	Yes. As mentioned in the testimony of Mr. Gregory N. Duvall, Test Period coal
68		costs have increased, on a total-company basis, from \$735.3 million in the 2012
69		GRC to \$823.6 million, an increase of \$88.3 million. The increase related to
70		higher coal prices is approximately \$96.5 million; the decrease relating to changes
71		in volume is approximately \$8.2 million.

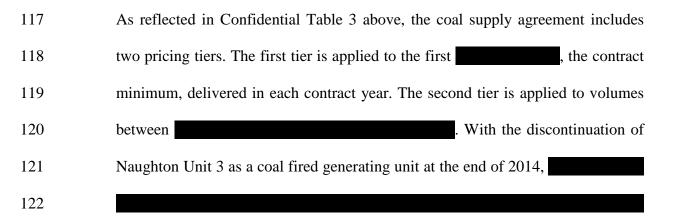
72 What are the primary drivers of the \$96.5 million increase in coal prices? Q. 73 of the increase is associated with third-party coal A. Approximately 74 purchases and transportation costs, is associated with Bridger Coal is associated with increased Deer Creek and Cottonwood 75 Company, is associated with increased Trapper 76 prep plant operating costs and 77 mine operating costs. 78 **Third-Party Coal Costs** 79 Please identify the major aspects of the increase in third-party Q. 80 coal supplies. 81 The Company expects third-party coal supply cost increases at the plants as set A. 82 forth in Confidential Table 2 below:

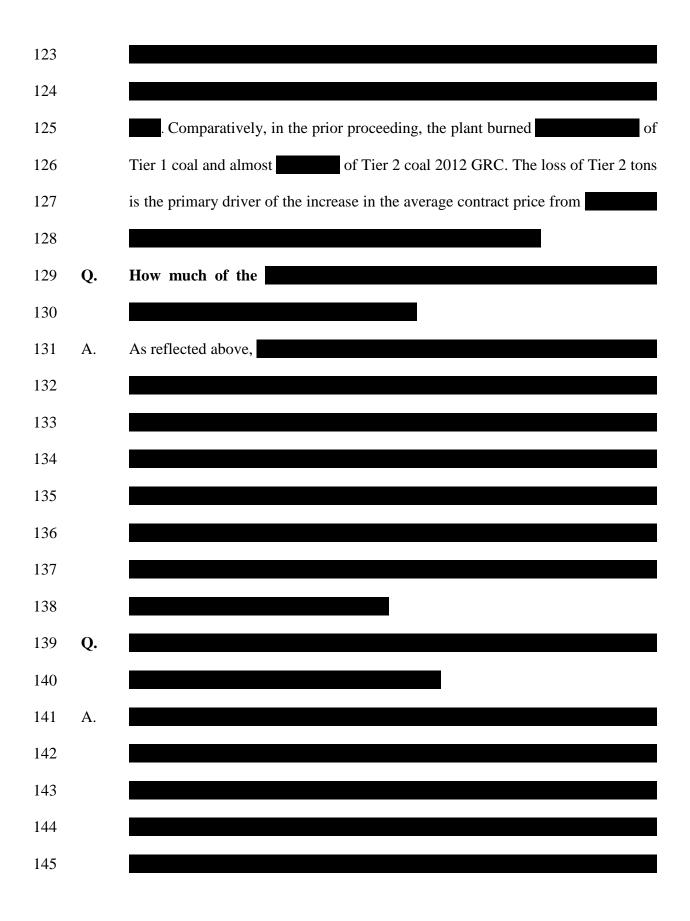


03	Coai	Supply Agreements for the vyyoning Flants
84	Naug	ghton
85	Q.	Please describe the coal supply arrangement for the Naughton plant.
86	A.	The Naughton plant is supplied via an overland conveyor by Westmoreland's
87		adjacent Kemmerer mine under a long-term coal supply agreement through 2021.
88		The Kemmerer mine has supplied the Naughton plant with coal for more than 50
89		years. Westmoreland acquired the Kemmerer mine from Chevron Mining in
90		January 2012.
91		The current coal supply agreement was renegotiated in September 2010.
92		
93		
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101		. The contract allows for contract escalation/de-escalation of the
102		new contract price based on quarterly changes in contract specific producer and
103		consumer price indices as well as production taxes and royalties through 2015.
104	Q.	How do Naughton plant costs compare to the Company's prior proceeding?
105	A.	As reflected in Confidential Table 3 below, coal costs at the Naughton generating

106		plant will increase from
107		, is
108		associated with the discontinuation of Naughton Unit 3 as a coal fired generating
109		facility at the end of 2014.
110		
111	Q.	Please explain the
112		
113	A.	The cost increase is primarily attributable to a higher average cost of coal to the
114		Naughton plant because of reduced volumes and
115		
116		







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Wyodak

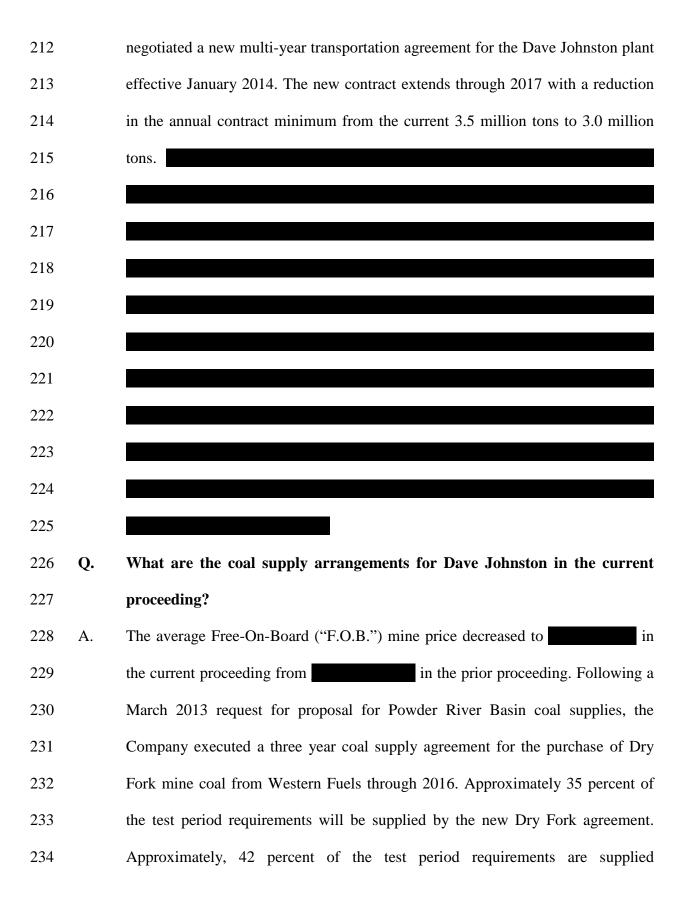
- Q. Please describe the increase relating to the Wyodak contract.
 - A. Black Hills Corporation subsidiary, Wyodak Resources Development Company, has been the exclusive coal supplier to the Wyodak plant since it was placed in service in 1978. A contract dispute between Wyodak Resources and the Company over the billing of severance and ad valorem taxes and federal royalties resulted in the New Restated and Amended Coal Supply Agreement dated January 2001.

The previous coal supply agreement, Further Restated and Amended Coal Supply Agreement dated May 5, 1987, contemplated a June 8, 2013 termination with an option for the Company to extend the coal supply agreement for an additional 10 years, to June 8, 2023, at a coal price based upon "fair market value."

The Company was able to secure an approximate reduction in the Wyodak coal price starting in 2001 under the New Restated and Amended Coal Supply Agreement. As part of the settlement, the Company exercised its extension option provided under the 1987 agreement. The contract was extended through 2022, which reflected the depreciable life of the Wyodak plant at that time. The settlement also incorporated the fair market valuation contemplated in the 1987 agreement with two price reopeners: July 1, 2014, and July 1, 2019.

167	Q.	Please explain how the Wyodak coal price is reset under the July 1, 2014
168		price reopener.
169	A.	The agreement provides for the purchase coal price to be set equal to the sum of
170		the spot price of Powder River Basin 8400 Btu coal, average rail transportation
171		costs from the two closest Powder River Basin mines to the Wyodak plant in
172		railroad supplied railcars, and a levelized fixed charge associated with
173		construction of a hypothetical rail unloading facility amortized on a straight-line
174		basis over 20 years.
175	Q.	Did the Company retain an engineering firm to analyze the costs required to
176		construct a rail unloading facility?
177	A.	Yes. The Company retained Burns & McDonnell Engineering Company to
178		perform a feasibility study of a new railcar unloading facility, stackout, and
179		transferring facilities at the Wyodak plant. Burns & McDonnell developed two
180		cost estimates in 2012 dollars:
181		
182		
183	Q.	Has Wyodak Resources Development Company accepted the Company's
184		feasibility study?
185	A.	
186		
187		
188		

189	Q.	Have you identified the overall increase in Wyodak plant costs as a result of
190		the price reopener?
191	A.	Yes. Based on the current forward price for Powder River Basin 8400 Btu coal
192		and a projection of rail rates, as well as the rail unloading facility
193		adjusted for two years of escalation, the Company projects the contract price to
194		increase by approximately on July 1, 2014, to
195		July 1, 2014 price reset accounts for approximately of the overall
196		Wyodak coal price increase. The remainder of the increase is
197		associated with escalation of contract-specific producer and consumer price
198		increases, and production taxes and royalties.
199	Dave	Johnston
200	Q.	Does the 2014 GRC reflect an increase in Dave Johnston generating plant
201		coal supply costs?
202	A.	Dave Johnston plant coal costs have increased minimally,
203		prior proceeding. While rail rates increased approximately pursuant
204		to a new a rail transportation agreement with the Burlington Northern Santa Fe
205		Railway, coal costs decreased by approximately based principally on
206		a new coal supply agreement with Western Fuels Dry Fork mine and current
207		forward pricing for PRB 8400 Btu coal.
208	Q.	Please describe the new rail transportation agreement for the Dave Johnston
209		plant.
210	A.	The current rail agreement with the BNSF for the Dave Johnston plant, executed
211		in January 1998, expires December 31, 2013. In November 2013, the Company



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235		collectively by the Cordero mine as a result of a April 2012 RFP solicitation and
236		the Coal Creek mine under a April 2011 RFP solicitation. Both the Cordero and
237		Coal Creek coal supply arrangements expire in December 2014. The Company
238		intends to solicit additional coal supplies during the second quarter of 2014 for the
239		remaining 23 percent, or 1 million ton open position. The coal price for Dave
240		Johnston's open position reflects the forward price for Powder River Basin 8400
241		Btu coal as of November 8, 2013.
242	Bridg	er - Black Butte
243	Q.	Please explain the increase in third party coal costs.
244	A.	The cost of Black Butte coal delivered to the Jim Bridger power plant has
245		increased to in this proceeding, an increase of The
246		increase in cost is principally due an increase in the Black Butte F.O.B. mine
247		costs associated with the delivery of contract deferred tonnage.
248	Coal	Supply Agreements for the Utah Plants
249	Q.	Which non-affiliated mines will supply coal to the Company's Utah plants in
250		2014?
251	A.	The Company has a diversified portfolio of multi-year coal supply agreements
252		with Bowie's Sufco mine, Utah American Energy's West Ridge mine and Rhino
253		Energy's Castle Valley mine.
254	Q.	Have prices for coal supply to the Utah plants increased above levels
255		reflected in the 2012 GRC?
256	A.	Yes. Collectively, purchased coal costs for the Utah plants have increased by
257		approximately . The preponderance of the increase, approximately

258		, is associated with escalation of the Sufco contract price, which
259		escalation is based on changes to the GDP-IPD (gross domestic product - implicit
260		price deflator). The weighted average Sufco price increased from
261		
262	Q.	Did the 2012 GRC include America West Resources' Horizon mine as coal
263		supply for the Carbon plant?
264	A.	Yes. However, subsequent to the filing of the net power cost update in the prior
265		proceeding, the assets of America West's Horizon mine were sold through
266		bankruptcy proceedings. The impact of the loss of the Horizon supply on current
267		Test Period costs is approximately \$0.5 million.
268	Coal S	Supply Agreements for the Joint-Owned Plants
269	Cholle	i
270	Q.	Please describe the coal supply arrangements for the Cholla plant.
271	A.	The Cholla plant is supplied under a long-term coal supply agreement with
272		Peabody's Lee Ranch/El Segundo mine complex through 2024. The long-term
273		contract was the result of a request for proposals issued in May 2005 and includes
274		two price reopeners: January 1, 2013, and January 1, 2018.
275	Q.	How are prices adjusted under the Peabody contract price reopener?
276	A.	The contract allows for either party to request renegotiation of the contract price
277		by providing written notice to the other Party no later than 90 days and no earlier
270		than six months before the price reopener effective date. Peabody provided this
278		
278279		notice in July 2012. The renegotiated price must adjust for changes in alignment

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	verification, and may not adjust for production-related cost changes that were
	known at the time of signing the original contract.
Q.	What is the status of current negotiations with Peabody?
A.	The Cholla plant owners reached a tentative agreement with Peabody in
	November 2013.
Q.	What price has the Company assumed for Cholla in the test period?
A.	Based on the tentative agreement, the Company forecasts that test period coal
	costs will increase from in the prior proceeding to
	in the current proceeding, an increase of, with the contract reopener
	accounting for of this amount. The remainder is primarily attributable to
	increased royalties resulting from more coal production from federal coal leases
	and escalation of contract indices. The Company will update its Cholla coal
	pricing prior to the filing of the net power cost update.
Q.	Do most of the Company's long-term contracts include some price reopener
	or price reset?
A.	Yes. Most of the Company's long-term coal supply agreements have a price
	reopener or price reset, which protects both parties. Considering the 19-year
	contract term of the Cholla coal supply agreement, multiple reopeners would be
	standard.
Q.	Did the Company include any increase for the Cholla contract reopener
	starting in January 2013 in the prior proceeding?
A.	No, the Company had not received any supporting documentation from Peabody
	at the time of the net power cost update in the prior proceeding.
	A. Q. A. Q. A.

304	Haya	len
305	Q.	Has the Hayden plant's coal cost changed from the 2012 general rate case?
306	A.	Yes, delivered coal prices have increased from
307		an increase of \$1.24 per ton or The increase is primarily due to a
308		contract specified increase effective January 1, 2014.
309	Colst	trip
310	Q.	Please explain the increase in Colstrip test period costs.
311	A.	Colstrip costs have increased from
312		. Colstrip costs are developed based on Western Energy's Annual Operating
313		Plan (AOP) for the Rosebud mine. The AOP is reviewed and approved annually
314		by the Colstrip Unit 3 & 4 owners.
315	Capt	tive Mine Costs
316	Q.	Please explain the increase associated with the captive mines.
317	A.	Deer Creek mine production costs have increased from
318		, an increase of . Bridger mine costs have increased from
319		, an increase of, and Trapper
320		mine costs have increased from, or
321		These changes result in the following increases shown in Confidential Table 4:

Confidential Table 4: Captive Mine Cost Increases

Communitaria Table 4. Captive vinic Cost mercases

323	Q.	Please describe the increase related to Deer Creek mine
324		production costs.
325	A.	Deer Creek mine production costs are projected to increase from per ton in
326		the 2012 GRC to in the current test period, an increase of

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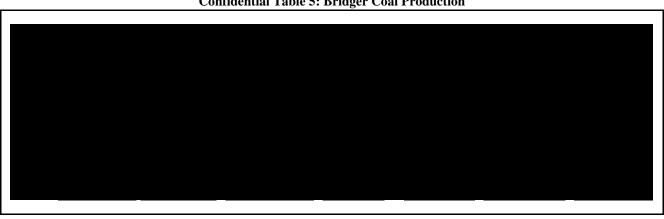
Deer Creek Mine

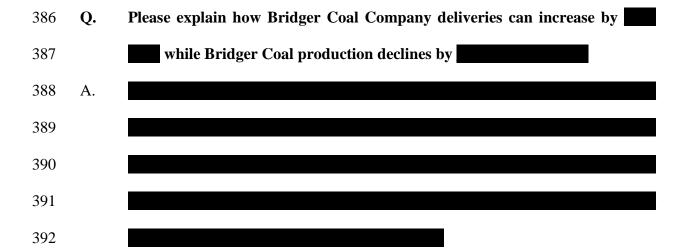
- . There are two primary drivers for the Deer Creek cost increase: (1) increased depreciation expense and (2) reduced coal production. Deer Creek's coal production is projected to decrease from 3.380 million tons to 2.849 million, a 0.53 million ton reduction; the lower production accounts for approximately of the increase.
- Q. How much is depreciation, depletion, and amortization expense increasing?
- Depreciation is increasing by approximately 333 334 increase in depreciation expense is the result of the new depreciation rates and the 335 impact of a reduced economic life of the Deer Creek mine. Deer Creek is 336 expected to deplete its economically recoverable reserves by September 2019.
- 337 Q. How is the Deer Creek mine life different than what was reflected the prior proceeding? 338
- 339 A. The 2012 GRC reflected a September 2021 economic life. As a result of an

340		ongoing drilling program, Energy West personnel have identified reserve areas in
341		the mine that are not economically recoverable in part due to adverse quality.
342	Q.	Is the December 2019 depreciable life for the Deer Creek mine consistent
343		with the Commission's recent Order Confirming the Bench Ruling on
344		Depreciation Study as Modified by the Stipulation November 7, 2013 in
345		Docket No. 13-035-02?
346	A.	Yes.
347	Q.	Why has current test year production declined by approximately 530 k tons?
348	A.	Deer Creek coal is consumed by the Hunter and Huntington plants; both plants
349		share a maximum ash target of 15 percent. The longwall system is projected to
350		encounter elevated ash levels during August 2014 through September 2014,
351		November 2014 through December 2014 and again in March 2015 through June
352		2015 and elevated sulfur content during August 2014 - September 2014. During
353		periods of high ash coal production, the longwall system will be operating a single
354		ten-hour shift instead of two ten hour shifts.
355	Q.	Why would the Deer Creek longwall system be limited to a single shift during
356		the high ash production periods?
357	A.	All of Deer Creek's production is initially delivered to the Huntington plant via an
358		overland conveyor. Once delivered to the Huntington plant stockpile, Deer Creek
359		coal can either be diverted to the Carbon, Hunter or the Prep Plant via two truck
360		loadouts or remain at the Huntington plant. The Huntington plant can typically
361		transfer upwards of 8,000 tons of Deer Creek coal a day between the two
362		loadouts. With Deer Creek's ash content approaching 20 percent during several

363		months, the majority of the coal will need to be transferred to either the Hunter
364		plant or the prep plant and subsequently blended with lower ash coals to meet
365		plant quality specifications.
366	Q.	How much coal is produced by the Deer Creek longwall in a single shift?
367	A.	The longwall system will typically produce 8,500 tons per shift per day and the
368		continuous miners will produce approximately 2,500 tons per day. Operating the
369		longwall system more than one shift day during periods of elevated ash will
370		exceed the physical transfer capability of the truck loadouts.
371	Q.	Can Deer Creek avoid mining these high sulfur and ash areas?
372	A.	Yes; however, not without significantly increasing Deer Creek's production costs
373		and supplementing with higher cost third party coal purchases.
374	Bridg	er Coal Company
375	Q.	Please describe the change in Bridger Coal Company coal costs.
376	A.	Bridger Coal Company costs have increased by approximately over
377		2012 GRC. Bridger Coal Company Test Period delivered costs have increased by
378		approximately and a decrease in Bridger Coal's heat content from
379		9,255 BTU's per pound to 9,196 BTU's per pound in the current proceeding
380		accounts for the remaining .
381	Q.	Have Bridger Coal Company's production levels changed?
382	A.	Yes. As reflected in Confidential Table 5 below, Bridger Coal Company's
383		production has decreased from in the 2012 GRC to
384		in the current test period while Bridger Coal Company deliveries have
385		increased from

Confidential Table 5: Bridger Coal Production





An 80 day outage of the underground mine's longwall system during the summer of 2014 is the primary driver of the reduced underground mine production. Deliveries are being made from Bridger Coal Company surface and underground mine inventories to compensate for Bridger Coal's reduced production.

- What is the typical length of time required to move and setup the Bridger Q. Underground longwall system once it has completed mining a longwall panel?
- 401 Longwall move times at Bridger Coal's underground mine are significantly 402 dependent on geologic conditions and have ranged from 72 days to 25 days.

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403		Absent significant geologic issues during a longwall move, the time required
404		between finishing mining of a longwall panel and commencing mining of the next
405		longwall panel should be approximately 20-30 days.
406	Q.	Why is this longwall move longer?
407	A.	In this instance, the Company is bypassing a longwall panel due to elevated levels
408		of ash and low coal seam height. Based on an extensive drilling program of the
409		12th right longwall panel this past summer, Bridger Coal personnel identified in-
410		seam ash content ranging up to 26 percent, levels considerably above the Bridger
411		plant specification of 13.5 percent. Therefore, upon completion of mining of the
412		11 th right longwall panel in June 2014, the longwall system will be idled until late
413		August 2014 when the longwall system will commence mining of the 13th right
414		longwall panel.
415	Q.	Could the longwall system move directly from the 11 th right longwall panel to
416		the 13th right longwall panel in the typical 20-30 day move?
417	A.	No. The longwall itself is not capable of development of a longwall panel. Instead
418		longwall mining relies on continuous miners to drive gate roads to the back of
419		each panel before longwall mining can commence. In this instance, the
420		development of the 13th right longwall panel will not be advanced in time to
421		commence longwall mining before late August.
422	Q.	Please describe the major drivers of the increase in expense of Bridger Coal
423		deliveries to the Bridger plant?
424	A.	Besides the significant cost impact of reduced coal production, there are three
425		other primary drivers for the Bridger Coal Company cost increase: (1) increased

426		materials and supplies and outside services; (2) increased final reclamation
427		expense, and (3) increased royalty and production tax expense.
428	Q.	How much of the increase is attributable to reduced coal
429		production at the Bridger Coal surface and underground mines and
430		additional deliveries from surface and underground inventories?
431	A.	Approximately
432		
433		
434		
435		. The decrease in
436		inventory levels in the 2014 GRC results in approximately (total
437		Bridger Coal Company) being credited to coal inventory and debited to test period
438		coal expense. In the prior proceeding, approximately was credited to
439		test period coal expense and debited to mine inventory.
440	Q.	How much of the overall increase is associated with increased final
441		reclamation trust contributions?
442	A.	Approximately . The Bridger Coal Company owners
443		established a final reclamation trust in 1989 to fund actual final reclamation work.
444		As part of its current long-range mine planning efforts, Bridger Coal Company
445		has updated its final reclamation plan. The increase in trust contributions is
446		necessary to ensure sufficient funds exist in the trust to support final reclamation
447		activities during and after the mine ceases production.

448	Q.	Why are controllable costs principally, materials & supplies and outside
449		services, increasing, on a per ton basis, from in the current
450		test period?
451	A.	The increase in materials and supplies and outside services is attributable to a
452		greater percentage of underground mine production supplied by continuous
453		miners and higher percentage of coal deliveries supplied by the Bridger surface
454		mine. With the idling of the longwall system, a higher proportion of underground
455		production is provided by the continuous miners, approximately 21 percent,
456		compared to almost 16 percent in the prior case. Continuous miner production is
457		both more labor intensive and consumes more supplies than longwall production.
458	Q.	Do the above cost increases impact Bridger Coal's royalty expenses?
459	A.	Yes. Average royalties and production taxes have increased from
460		. The Company's royalty obligations for coal production from
461		federal and states leases are determined by adding a return on net mine investment
462		to actual mine operating costs and production taxes are assessed based on 30 party
463		coal supplies to Jim Bridger plant.
464	Trapp	er Mine
465	Q.	Please describe the change in Trapper mine costs.
466	A.	Trapper mine costs have increased from in the 2012 GRC to
467		in the current Test Period, an increase of . Trapper's
468		increasing strip ratio, the amount of overburden and inner burned which must be
469		removed to obtain a ton of coal, is the primary driver of the cost increase.

- 470 Q. Please summarize the benefits of the Company's coal supply strategy.
- A. Customers have significantly benefited from the Company's diversified fueling strategy. 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-fired generating plants. While coal costs have increased in this case as a result of various factors, the Company's strategy has resulted in a long-
- 476 term, stable and low-cost supply of coal for its customers.

Increasing Sulfur Content

- 478 Q. Is the Company projecting the sulfur content to increase during the test
- 479 **period?**

- 480 A. Yes. As mentioned in the testimony of Mr. Dana M. Ralston, the sulfur content is
- increasing at the Jim Bridger, Wyodak, Hunter, and Huntington plants.
- 482 Q. Please discuss the increase at the Jim Bridger plant.
- 483 A. The increase in Bridger Coal Company deliveries corresponds with reduced coal
- deliveries from Black Butte during the first half of 2015. The sulfur content of
- Bridger Coal Company is consistently higher than Black Butte. The slight
- increase in sulfur content, from 0.58 percent sulfur in the Base Period to 0.59
- percent sulfur in the Test Period, coincides with increased coal deliveries from
- Bridger Coal Company and reduced coal deliveries from Black Butte during the
- first six months of 2015.
- 490 Q. What is causing an increase in sulfur content increasing at the Wyodak
- 491 **plant?**
- 492 A. In February 2013, Wyodak Resources Development Company presented the

493		Company with a multi-year coal quality projection. Wyodak Resources
494		Development Company actively mines two seams with significantly different
495		sulfur content. The Wyodak plant will be entirely supplied by the "top seam," the
496		higher sulfur seam, during the test period; during the base period the plant was
497		supplied with coal from both seams.
498	Q.	What is the primary driver of the increase in sulfur content at Hunter to 0.68
499		percent and Huntington to 0.64 percent during the test year?
500	A.	An increase in sulfur content in Deer Creek's coal production is the primary
501		cause. While Sufco's sulfur content is expected to trend slightly higher through
502		the test period, the weighted average sulfur content of Deer Creek's production in
503		the test period is expected to exceed 0.7 percent during the test period. As I
504		discussed earlier in my testimony, the Deer Creek mine will encounter elevated
505		levels of sulfur exceeding 1.0 percent in August and September 2014.
506	Q.	How does the Company manage high ash, high sulfur Deer Creek coal

Q. How does the Company manage high ash, high sulfur Deer Creek coal production?

To ensure emissions compliance, the Company segregates coal at the Huntington plant and then depending upon quality the coal will be shipped to the Hunter and/or Cottonwood Prep plant and/or remain at the Huntington plant. This coal is commingled with other coals to ensure the blended product does not cause a sulfur exceedance nor violates meeting minimum heat content requirements. For instance, approximately 2.2 million tons of coal will be transferred from the prep plant to the Hunter plant during the test year; 300,000 tons of this amount will be supplied from the segregated Deer Creek high ash, high sulfur pile located at the

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516		prep plant.
517	Q.	Can Deer Creek avoid mining these high sulfur areas?
518	A.	Yes, however, not without significantly increasing Deer Creek's production costs
519		and supplementing with higher cost third party coal purchases.
520	Q.	Does this conclude your direct testimony?
521	A.	Yes.