

1 **Q. Are you the same Cindy A. Crane who submitted direct testimony in this**  
2 **proceeding on behalf of PacifiCorp dba Rocky Mountain Power (“the**  
3 **Company”)?**

4 A. Yes.

5 **Purpose of Rebuttal Testimony**

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

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

- 8 • Discuss the Company’s coal price projection for the Jim Bridger plant in  
9 the current test period;
- 10 • Identify the errors, omissions and improper comparisons employed by  
11 Sierra Club witness, Mr. Jeremy Fisher, in direct testimony;
- 12 • Refute the contention of Mr. Fisher that the Company provided a new long-  
13 term forecast for coal delivered to the Jim Bridger plant;
- 14 • Rebut Mr. Fisher’s contention that a new long-term forecast is significantly  
15 higher than the costs projected by the Company in the Utah Docket No. 12-  
16 035-92;
- 17 • Refute Mr. Fisher’s claims that Jim Bridger plant coal prices are [REDACTED] and  
18 [REDACTED] per MMBtu above the selective catalytic reduction (“SCR”) analysis  
19 in 2014 and 2015;

- 20           • Rebut Mr. Fisher’s contention that the average cost of coal delivered to  
21           Bridger is well above the projections provided in the Docket  
22           No. 12-035-92;
- 23           • Refute Mr. Fisher’s contention that the information presented by the  
24           Company in public planning forums is deeply inconsistent with the  
25           Company’s own planning and internal information; and
- 26           • Refute Mr. Fisher’s suggestion that the Company either deliberately or  
27           inadvertently withheld Bridger coal price information from the  
28           Commission.

29   **Q.    Please summarize your position.**

30   A.    Contrary to Mr. Fisher’s assertion, the Company’s test period coal costs do not  
31   show a significant increase relative to the SCR rebuttal analysis. Mr. Fisher’s  
32   testimony rather demonstrates a willful misinterpretation of Company supplied coal  
33   costs. Mr. Fisher testifies<sup>1</sup> that he does not object to the Company’s request for an  
34   increase in fuel costs at this time “...I do not have a basis for determining if the  
35   higher costs at the Bridger coal mine are prudently incurred or not.” Clearly, Mr.  
36   Fisher has not demonstrated a basis for sanctions in this docket either. Rather, Mr.  
37   Fisher’s Bridger Coal related testimony appears designed to re-litigate the

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<sup>1</sup> See Direct Testimony of Mr. Fisher, page 18, lines 16 -17.  
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Redacted

38 Commission's prior approval in the Bridger SCR voluntary docket based on faulty  
39 and grossly misleading analysis.

40 **Jim Bridger Plant Test Period Costs**

41 **Q. Please explain how the Jim Bridger plant will be supplied during the current**  
42 **test period and how test period costs were determined.**

43 A. The Jim Bridger plant will be fueled collectively with coal from the Black  
44 Butte/Kemmerer mines and Bridger Coal Company. Bridger Coal deliveries will  
45 be sourced from both the surface and underground mines.

46 Test period costs for the Jim Bridger plant reflect Bridger Coal mine operating costs  
47 supplemented with third party costs for Kemmerer and Black Butte coals.

48 **Q. What costs are included in Bridger Coal's mine operating costs?**

49 A. Test period costs for Bridger Coal are prepared in accordance with Generally  
50 Accepted Accounting Principles ("GAAP") for regulated entities. GAAP  
51 accounting requires the recognition of both cash and non-cash costs for the period  
52 in which they occur. More specifically, the Bridger Coal Company test period costs  
53 include both the cash and accrued expenditures for the period and the non-cash  
54 costs of depreciation, depletion and amortization.

55 **Q. Did the Company produce a new long-term forecast for coal delivered to the**  
56 **Jim Bridger plant?**

57 A. No. Contrary to Mr. Fisher's testimony<sup>2</sup>, the Company did not produce a new long-  
58 term forecast for coal deliveries to the Jim Bridger plant. Clearly, Mr. Fisher does  
59 not understand filing requirement differences between the Company's general rate  
60 proceedings and the voluntary approval docket. A long-term forecast for the Jim  
61 Bridger plant would include long-term coal supplies and cost projections for  
62 Bridger Coal, Black Butte, Kemmerer and any other coal supplies required to  
63 support the fueling requirements of the Jim Bridger plant through a determined  
64 planning horizon, not just the test period.

65 **Q. What cost projections were provided in the Company's workpapers?**

66 A. The Company's workpapers included detailed coal cost projections for the current  
67 test period for Bridger Coal, Black Butte and Kemmerer coal supplies per GAAP.  
68 Additionally, to support Bridger Coal Company reclamation costs contained within  
69 the mine's operating costs for the test period, the Company's workpapers included  
70 the 2014 Business Plan for Bridger Coal Company, as prepared in October 2013.

71 **Q. Are there differences between the Bridger Coal Company 2014 Business Plan**  
72 **and the long-term fueling strategy utilized in the pre-approval docket for the**  
73 **Jim Bridger units 3 & 4 SCR systems?**

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<sup>2</sup> See Direct Testimony of Mr. Jeremy Fisher, page 5, lines 8-9  
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Redacted

74 A. Yes. The long-term fueling strategy utilized in the SCR analysis includes expansion  
75 of the Bridger underground mine upon depletion of the current reserve base,  
76 whereas the mine's business plan reflects underground mine operations within the  
77 current reserve base only. While the business plan does not preclude a long-term  
78 underground mine expansion; the investment decisions associated with a future  
79 underground expansion are yet to be fully vetted for inclusion in the business plan.

80 **Q. Were Bridger Coal operating costs utilized in the Jim Bridger plant SCR**  
81 **analysis based on GAAP accounting?**

82 A. No. The SCR analysis compares the impact of future compliance scenarios and  
83 their cost impacts on customers by comparing present values of revenue  
84 requirements between alternative compliance options on a forward looking basis  
85 and therefore excludes non-cash GAAP accounting costs such as depreciation,  
86 depletion and amortization that reflect recovery past investments. Inclusion of such  
87 costs would not impact the result of the SCR analysis because the same values for  
88 these past investment recovery costs would be included across all forward looking  
89 compliance scenarios. In the SCR analysis, the recovery of past investments in  
90 Bridger mine are treated in the same manner as any other past investments, such as  
91 the past investments in the Company's existing generation resources.

92 **Q. Does the Company's SCR analysis capture the return on and return of future**  
93 **of capital expenditures associated with the various alternative compliance**  
94 **options assessed?**

95 A. Yes. The Company's SCR analysis studies are forward looking and capture the  
96 return on and of the future Bridger mine capital expenditures required to support  
97 the various alternatives assessed.

98 **Q. Does the Company's SCR analysis also capture long-term coal cost projections**  
99 **for third-party supplemental coal supplies required by the Jim Bridger plant?**

100 A. Yes. The Company's SCR analysis studies capture projected long-term third-party  
101 supplemental coal supply costs (e.g. Black Butte).

102 **Q. Which cost streams did Mr. Fisher utilize in his comparative?**

103 A. Mr. Fisher inappropriately compared the cash operating costs for the Jim Bridger  
104 plant per the SCR analysis to the 2014 Business Plan for Bridger Coal. The cash  
105 operating costs per the SCR analysis excluded all non-cash costs (depreciation,  
106 depletion and amortization) for past capital investments for the reasons described  
107 above; the 2014 Business Plan includes all non-cash costs per GAAP. The SCR  
108 analysis also included third party coal supplies like Black Butte; the 2014 Business  
109 Plan for Bridger Coal logically excludes third party coal costs as it represents only  
110 Bridger Coal's business plan. The SCR analysis incorporated a long-term coal

111 supply strategy for the Bridger plant; the 2014 Business Plan for Bridger Coal does  
112 not.

113 **Q. Is it appropriate to conclude that the Company's costs are significantly higher**  
114 **than the costs projected by the Company in the Utah**  
115 **Docket No. 12-035-92 based on the above comparison?**

116 A. Absolutely not. Mr. Fisher's analysis and testimony is entirely dependent upon an  
117 improper cost comparison.

118 **Q. Did the Company caution the Sierra Club about the differences in cost**  
119 **methodologies and mine plans for the test period?**

120 A. Yes, in two separate responses (See Response to SC 4.14 and 4.10), the Company  
121 alerted the Sierra Club to the differences. The Sierra Club failed to heed the  
122 Company's response on both occasions.

123 **Q. Mr. Fisher states that coal prices in 2014 and 2015 are [REDACTED] and**  
124 **[REDACTED] above SCR analysis costs<sup>3</sup>. Further, Mr. Fisher states that the**  
125 **cost of coal delivered to the Jim Bridger plant exceeds the coal prices projected**  
126 **in the SCR analysis during the 2014-2034 period by an average of**  
127 **[REDACTED] or as high as [REDACTED]<sup>4</sup>. Please comment.**

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<sup>3</sup> See Direct Testimony of Mr. Fisher, page 26, Footnote 2.

<sup>4</sup> See Direct Testimony of Mr. Fisher, page 11, lines 3 -11.

128 A. Mr. Fisher's analysis is encumbered with multiple flaws. The impact of excluding  
129 depreciation, depletion and amortization is extremely significant. If Mr. Fisher had  
130 utilized operating costs from the SCR analysis based on GAAP, rather than cash  
131 operating expenses, Mr. Fisher's analysis would have reflected an increase of [REDACTED]  
132 rather than [REDACTED] in 2014, an increase of [REDACTED] rather than [REDACTED]  
133 in 2015 and a decrease of [REDACTED] rather than an increase of [REDACTED]  
134 during the 2014-2034 period.

135 **Q. What is included in test period costs for Bridger Coal depreciation, depletion**  
136 **and amortization?**

137 A. Approximately [REDACTED] million is included for both Bridger Coal surface and  
138 underground mines or [REDACTED]

139 **Q. Did Mr. Fisher have access to GAAP based operating cost data from the Jim**  
140 **Bridger plant SCR analysis in this docket?**

141 A. Yes. In response to Sierra Club 11.1, the Company provided the workpapers  
142 supporting Ms. Cindy A. Crane's Confidential Rebuttal Testimony from Docket  
143 No. 12-035-92. Mr. Fisher could have easily ascertained that depreciation,  
144 depletion and amortization were excluded in the development of cash operating  
145 costs in the SCR analysis.

146 **Q. If Mr. Fisher were to correct his analysis for omission of depreciation,**  
147 **depletion and amortization, would his analysis be any more appropriate?**



148 A. No. While inclusion of these costs would clearly undermine Mr. Fisher's contention  
149 that the SCR workpapers<sup>5</sup> showed significantly lower coal prices, such an analysis  
150 would be grossly misleading. The Company's workpapers serve to support test  
151 period costs solely – not a life-of-plant fueling strategy. Inclusion of the 2014  
152 Bridger Coal Company Business Plan was necessary to demonstrate appropriate  
153 funding levels for the final reclamation trust. The Company did not provide a long-  
154 term fueling strategy with information regarding future supplies of third party coal  
155 or a potential underground mine expansion.

156 **Q. Does Mr. Fisher acknowledge that the workpapers in the current test period**  
157 **did not include a long-term forecast for either Black Butte or Kemmerer coal**  
158 **supplies?**

159 A. Yes, Mr. Fisher acknowledged<sup>6</sup> that a long-term forecast was not provided for  
160 Black Butte and Kemmerer coals. Mr. Fisher assumed that these sources would  
161 have a relatively minimal impact on the Company's projected coal price over the  
162 long run. Apparently, since the Company did not provide a long-term coal price  
163 forecast for the Jim Bridger plant through the life of the plant similar to the SCR  
164 analysis, Mr. Fisher created his own.

165 **Q. Are the projected third party coal supplies to the Jim Bridger plant minimal?**

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<sup>5</sup> See Direct Testimony of Mr. Fisher, page 5, lines 17-19.

<sup>6</sup> See Direct Testimony of Mr. Fisher, page 10, lines 7 - 10

166 A. No, in fact Black Butte and Kemmerer will provide 25 percent of the Jim Bridger  
167 plant requirements in the current test period. Additionally, the Company is currently  
168 evaluating procurement of additional coals in Southwest Wyoming for 2015  
169 through 2020.

170 **Q. Did Mr. Fisher acknowledge that the 2014 Business Plan for Bridger Coal**  
171 **reflected Bridger Coal deliveries to decrease by more than half without the**  
172 **underground mine expansion?**

173 A. No. Mr. Fisher does not mention that the 2014 Bridger Coal Business Plan data he  
174 opted to utilize as a surrogate for Jim Bridger life-of-plant costs represents only  
175 [REDACTED] of the Jim Bridger plant requirements starting in 2023.

176 **Q. Please summarize your thoughts about Mr. Fisher's purported analysis that**  
177 **the Company's coal costs for the Jim Bridger plant show a significant increase**  
178 **relative to the SCR analysis.**

179 A. It appears that the Sierra Club is intent on using this general rate case proceeding  
180 to re-litigate the Commission's prior approval in the Bridger SCR voluntary docket  
181 based on faulty and grossly misleading analysis. Mr. Fisher's testimony should be  
182 discredited.

### 183 **Bridger Coal Drilling Program**

184 **Q. Can you please explain Bridger Coal Company's drilling program for the**  
185 **underground mine?**

186 A. Yes. As the Company responded in Sierra Club 4.9, the Company conducts a robust  
187 and continuous drilling program. The drilling program allows Bridger Coal  
188 personnel to determine roof stability, seam thickness, geologic faults, adverse  
189 quality and appropriate longwall extraction points.

190 **Q. Has the Bridger underground mine encountered high ash coal previously?**

191 A. Yes. In previous longwall panels, the mine has encountered areas of low seam  
192 thickness and elevated in-seam ash content and the mine has successfully advanced  
193 through these areas by blending with lower ash coal. In this test period, based on  
194 drilling in March/April 2013, Bridger Coal personnel spent several months re-  
195 engineering the mine plan to bypass the 12<sup>th</sup> right longwall panel. This re-  
196 engineered plan is the basis of the 2014 Bridger Coal Business Plan produced in  
197 October 2013.

198 **Q. Do you expect the underground mine plan to change in the future with**  
199 **additional drilling?**

200 A. Yes. The drilling program allows Bridger Coal Company personnel to refine the  
201 mine plan to reflect updated coal quality information – this is inherent to  
202 underground mining. While Mr. Fisher appears to suggest that the updated drilling  
203 information in March/April is appropriate grounds to discredit the Jim Bridger SCR  
204 analysis, such a recommendation is misplaced. The impact of the drilling results  
205 can be either positive or negative. In the short run, the drilling program in

206 March/April revealed immediate ash issues resulting in the bypassing of the 12<sup>th</sup>  
207 right longwall panel. However, in the long-term the same drilling program in  
208 March/April identified additional areas suitable for longwall mining that were not  
209 reflected in the original SCR analysis.

210 The coal pricing information supplied in the Company's Jim Bridger SCR analysis  
211 represented the best information the Company possessed at that time. Long-term  
212 projections at the end of the day are still projections and will continuously change,  
213 up or down, with updated information – such is the nature of coal mining and  
214 forecasting.

#### 215 **Historical Coal Prices**

216 **Q. Mr. Fisher states<sup>7</sup> that in reviewing historical data, as reported to the US**  
217 **Energy Information Administration (EIA), the average cost of coal delivered**  
218 **to the Bridger plant actually spiked in 2011 and has maintained well above the**  
219 **projections provided in the Bridger SCR docket. Please respond.**

220 A. Once again, Mr. Fisher's comparison is inappropriate. First, starting in January  
221 2011, the Company changed the basis of the costs reported to the Energy  
222 Information Administration ("EIA"). Historically, the Company reported Bridger  
223 Coal Company monthly operating costs (based on GAAP). Subsequent to a FERC

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<sup>7</sup> See Direct Testimony of Mr. Fisher, page 11, lines 8–11.  
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224 audit, PacifiCorp was required to account for these subsidiaries under the equity  
225 method. Therefore beginning January 2011, the Company started reporting the  
226 Bridger Coal contract price, inclusive of the return on investment, to the EIA.

227 **Q. How much of the Bridger Coal contract price is the return on investment?**

228 A. While the return on investment component gets reset periodically its remains  
229 approximately [REDACTED] Coal costs for the test period as well as the Jim Bridger  
230 SCR analysis, exclude any return on investment. The Company, instead, earns a  
231 return on its investment in Bridger Coal Company through its inclusion in the  
232 Company's ratebase.

233 **Q. Are there other flaws with Mr. Fisher's historical comparison to the SCR**  
234 **analysis besides the treatment of Bridger Coal Company return on**  
235 **investment?**

236 A. Yes. The contract price reported to the EIA includes depreciation, depletion and  
237 amortization. As my testimony makes abundantly clear, the cash operating costs  
238 that Mr. Fisher insists on using as a comparative exclude any depreciation,  
239 depletion and amortization.

240 **Summary**

241 **Q. Please summarize your testimony.**

242 A. Mr. Fisher has not presented any evidence in this proceeding to suggest that  
243 sanctions are warranted. Rather what is increasingly apparent is Mr. Fisher's

244 willingness to file contrived, inaccurate and misleading testimony to advance the  
245 Sierra Club's "Beyond Coal Campaign" agenda at any cost and before any forum.

246 **Q. Does this conclude your rebuttal testimony?**

247 A. Yes, it does.