PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah, Suite 2000
Portland, Oregon 97232

December 12, 2014

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Public Utility Commission of Oregon
3930 Fairview Industrial Dr. S.E.
Salem, OR 97302-1166

Attn: Filing Center

Re: Application for Approval of the Deer Creek Mine Transaction

PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) submits for filing its Application for Approval of the Deer Creek Mine Transaction. Confidential pages of the filing will be provided under separate cover. Confidential information in this filing is provided in accordance with OAR 860-001-0070.

The filing also includes a motion for a standard protective order in this matter.

PacifiCorp respectfully requests that all data requests in this docket be addressed to:

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

By regular mail: Data Request Response Center
PacifiCorp
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Portland, Oregon 97232

Informal questions concerning this filing may be directed to Natasha Siores, Director, Regulatory Affairs & Revenue Requirement, at (503) 813-6583.

Sincerely,

RBDalley

R. Bryce Dalley
Vice President, Regulation

Enclosures

CERTIFICATE OF SERVICE

I certify that I served a true and correct copy of PacifiCorp's Notice of Application on the parties listed below via electronic mail in compliance with OAR 860-001-0180.

UE 263

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Dated this 12th of December, 2014.

Carrie Meyer
Supervisor, Regulatory Operations

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM ____

In the Matter of PACIFICORP d/b/a PACIFIC POWER, Application for Approval of Deer Creek Mine Transaction.	PACIFICORP'S MOTION FOR STANDARD PROTECTIVE ORDER

Under ORCP 36(C)(7) and OAR 860-001-0080(1), PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) moves the Public Utility Commission of Oregon (Commission) for entry of a standard protective order in this proceeding. Good cause exists to issue a protective order to protect commercially sensitive and confidential business information related to the Company's financial analyses and forecasts, as well as negotiated commercial agreements.

The Commission's rules authorize PacifiCorp to seek reasonable restrictions on discovery of trade secrets and other confidential business information.[1] The Commission's standard protective order is designed to allow the broadest possible discovery consistent with the need to protect confidential information.[2] PacifiCorp requests this protective order to facilitate the communication of information between the parties and expedite the discovery process.

[1] *See* OAR 860-001-0000(1) (adopting the ORCP); ORCP 36(C)(7) (providing protection against unrestricted discovery of "trade secrets or other confidential research, development, or commercial information"). *See also In re Investigation into the Cost of Providing Telecommunication Service,* Docket UM 351, Order No. 91-500 (1991) (recognizing that protective orders are a reasonable means to protect trade secrets and other confidential commercial information and "to facilitate the communication of information between litigants").
[2] OAR 860-001-0080(2).

For these reasons, PacifiCorp respectfully requests that the Commission enter its standard protective order in this docket.

Respectfully submitted this 12th day of December, 2014.

By: ______________________________
Sarah K. Wallace
Assistant General Counsel
PacifiCorp d/b/a Pacific Power

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM ____

In the Matter of PACIFICORP d/b/a PACIFIC POWER Application for Approval of Deer Creek Mine Transaction.	**PACIFICORP'S APPLICATION FOR APPROVAL**

I. INTRODUCTION

PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) applies to the Public Utility Commission of Oregon (Commission) for approval of the closure of the Deer Creek Mine located near Huntington, Utah, and related matters. The mine is currently operated by Energy West Mining Company (Energy West), a wholly-owned subsidiary consolidated with PacifiCorp for regulatory purposes.[1] This application is filed by PacifiCorp, on its own and on behalf of Energy West.

The closure of the Deer Creek Mine consists of four major components: (1) the Company will permanently close the Deer Creek Mine and incur direct closure costs; (2) Energy West will withdraw from the United Mine Workers of America (UMWA) 1974 Pension Trust, incurring a withdrawal liability; (3) the Company will sell certain mining assets (Mining Assets); and (4) the Company will execute a replacement coal supply agreement (CSA) for the Huntington power plant and an amended CSA for the Hunter power plant. Energy West has also settled its retiree medical obligation related to Energy West union participants (Retiree Medical Obligation). Together, the components of the closure and settlement of the Retiree Medical Obligation constitute the transaction to close the Deer

[1] *See, e.g. In re PacifiCorp d/b/a Pacific Power and Light Co.*, Docket No. UI 105, Order No. 91-513 (Apr. 12, 1991).

Creek Mine (Transaction). The sales of the Mining Assets and the CSAs are contingent upon regulatory approval and Transaction closure by May 31, 2015.

The Company requests that the Commission determine that the closure of the Deer Creek Mine is in the public interest under ORS 757.140(2)(b) and that the Company's decision to enter into the Transaction is prudent. To allow for closure of the asset sales agreements and the CSAs by May 31, 2015, the Company requests that the Commission issue the following orders on or before May 27, 2015, in conjunction with overall approval of the closure of the Deer Creek Mine:

First, under ORS 757.210, approval of the Company's proposed Deer Creek Mine Closure tariff for rate recovery of direct mine closure costs effective June 1, 2015. The Company's proposed tariff is Attachment B to this application.[2] The proposed tariff is designed to recover the Company's estimated mine closure costs in 2015 and 2016, which will be trued up to actual costs once closure is complete in 2016. The Commission approved similar tariffs for cost recovery related to the early closure of Portland General Electric Company's Boardman Power Plant in Order Nos. 11-242 and 12-235.[3]

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[2] The Company proposes to use the generation allocation factors to spread the costs among customer rate schedules, consistent with paragraph 18 of the Stipulation in Docket No. UE 263.

[3] *In re Portland General Elec. Co.*, Docket No. UE 230, Order No. 11-242 (July 5, 2011); *In re Idaho Power Co.*, Docket No. UE 239, Order No. 12-235 (June 26, 2012). In addition, the tariffs were designed to allow the utilities to update decommissioning costs as they are incurred to ensure full recovery. *In re Portland General Elec. Co.*, Docket No. UE 230, Order No. 11-242, Appendix A at 4 (July 5, 2011) ("During further discussions, PGE agreed to separately track the incremental decommissioning costs (approximately $20.7 million) in sub-accounts to FERC Accounts 108, 230 and 254. This separate accounting will serve as an easy means by which to audit the balance and will separately track revenues intended to cover decommissioning costs. In addition, beginning June 15, 2012, PGE has agreed to submit an annual informational report to all UE 230 parties that will include the current balance of dollars collected for decommissioning and any relevant changes to PGE's forecasts of future decommissioning costs. This informational report will provide Staff and intervenors the opportunity to review any changes PGE may request in advance of its November 1 annual update. Finally, PGE also agrees to submit its November 1 annual update as a supplemental filing in this docket (UE 230)."); *See In re Idaho Power Co.*, Docket No. UE 239, Joint Explanatory Brief at 8-9 (May 24, 2012) ("the Stipulating Parties agree that the Company's proposed balancing account is reasonable and will ensure that customers pay no more and no less than the full revenue requirement impacts of early Boardman retirement over the remaining nine years of the plant's life, and will ensure that the Company is provided an opportunity to experience the full recovery of Boardman-related costs by Boardman's scheduled life end of 2020.").

Second, under ORS 757.120, ORS 757.125, ORS 757.140(2)(b), and OAR 860-027-0045, an accounting order authorizing the Company to transfer the remaining plant balance for the Deer Creek Mine from electric plant in service, establish a regulatory asset, and accelerate recovery of the asset through the Deer Creek Mine Closure tariff, with an offset for Deer Creek costs now in rates, so that the Company's unrecovered investment in the mine is fully amortized before mine closure is completed in 2016. The Commission has approved similar requests for accounting orders and accelerated depreciation related to the closure of other Company facilities.[4]

Third, under ORS 757.120, ORS 757.125, ORS 757.140(2)(b), and OAR 860-027-0045, an accounting order authorizing the Company to establish a regulatory asset for the 1974 Pension Trust withdrawal liability. This accounting order would allow PacifiCorp to reflect the change in its participation in the Trust without any change in rates (because the 2015 TAM currently reflects a $3 million total-company pension contribution, which would continue as the annual payment of the withdrawal liability). In addition, the Company seeks an accounting order for the loss associated with the settlement of the Energy West's Retiree Medical Obligation of approximately [redacted] on a total-company basis. In conjunction with these accounting orders, the Company requests a determination that its decisions to withdraw from the 1974 Pension Trust and settle the Retiree Medical Obligation are prudent. The Commission recently approved a similar accounting order for Northwest Natural Gas Company (NW Natural) related to a pension fund withdrawal liability.[5] The Company

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[4] *In re PacifiCorp d/b/a Pacific Power*, Docket No. UM 1298, Order No. 07-375 (Aug. 23, 2007) (Order No. 07-375) (Powerdale Hydro Generation Plant); *In re PacifiCorp d/b/a Pacific Power & Light,* Docket No. 1047, Order No. 02-224 (Mar. 29, 2002) (Order No. 02-224) (Trail Mountain Mine); *In re PacifiCorp*, Docket No. UE 111, Order No. 00-580 (Sept. 25, 2000) (Order No. 00-580) (Dave Johnston Mine).
[5] *In re Northwest Natural Gas Co. d/b/a NW Natural Application for Accounting Order Regarding Western States Pension Fund Withdrawal Liability*, Docket No. UM 1680, Order No. 14-041 (Feb. 5, 2014).

requests that the Commission separately address the final ratemaking treatment of these regulatory assets in a future ratemaking proceeding.

Fourth, under ORS 757.480(1)(a) and OAR 860-027-0025, approval of the sale of the Mining Assets, adding the loss on the sale to the Deer Creek Mine Closure tariff for immediate amortization, with an offset for costs now in rates, so that the loss on the Mining Assets is fully amortized before mine closure is completed in 2016. Section VI of this application includes the information required for approval of this property sale.

Fifth, under ORS 757.120, ORS 757.125, ORS 757.140(2)(b), and OAR 860-027-0045 and ORS 757.210, approval of an accounting order reflecting costs associated with the CSAs in 2015 in the regulatory asset for unrecovered investment. The Company also seeks approval to (1) recover through the Deer Creek Mine Closure tariff the costs of the CSAs and other replacement fuel supply until such time that base net power costs are reset in the 2016 TAM and (2) inclusion of the CSAs in the 2016 TAM.

Sixth, under ORS 757.259(2)(e) and OAR 860-027-0300, an order authorizing the Company to defer costs associated with the Transaction to the extent necessary to effectuate the regulatory treatment otherwise requested in this application.

The following testimony supports the Company's application, providing background information on the Transaction and demonstrating that the Transaction is both prudent and in the public interest:

- Cindy A. Crane, President and Chief Executive Officer (CEO), Rocky Mountain Power, provides an overview of the Transaction and the factors that led to the Company's decision to close the Deer Creek Mine. Ms. Crane also presents the Company's analysis demonstrating that the Transaction provides net benefits to customers and is prudent;

- Douglas K. Stuver, Senior Vice President and Chief Financial Officer of PacifiCorp, provides testimony on the proposed accounting and regulatory treatment of the Transaction. Mr. Stuver also explains the financial impacts of

Energy West's withdrawal from the 1974 Pension Trust and settlement of the Retiree Medical Obligation; and

- Seth Schwartz, President of Energy Ventures Analysis, Inc., provides testimony explaining how the Transaction significantly mitigates Energy West's liability under the 1974 Pension Trust. Mr. Schwartz also supplies current and projected Utah coal market data, which supports the decision to close the Deer Creek Mine and the prudence of the Company's Huntington CSA and amended Hunter CSA.

II. NOTICE

Communications regarding this application should be addressed to:

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In addition, the Company requests that all data requests regarding this application be sent to the following:

By email (preferred): datarequest@pacificorp.com

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Informal questions may be directed to Bryce Dalley, Vice President, Regulation, at 503-813-6389 or Bryce.Dalley@PacifiCorp.com.

III. BACKGROUND

A. The Closure of the Deer Creek Mine

The Deer Creek Mine is located in Emery County, Utah. The Company acquired the mine in 1977. The mine annually produces on average 3.5 million tons of coal. The mine's depreciable life currently runs through its expected reserve depletion in 2019.

The Deer Creek Mine is the primary source of coal for the nearby Huntington power plant, which annually consumes on average 2.8 to 2.9 million tons. The mine also supplies some coal to the Hunter power plant. The Company expected that the mine would meet the Huntington power plant's coal supply needs and supplement the Hunter plant's supply needs until 2019. In Oregon, the depreciable lives of the Huntington and Hunter power plants run through 2030 and 2029, respectively.[6]

The Company is proposing to close the Deer Creek Mine now for two primary reasons. First, the mine's mining costs and pension liabilities are sharply increasing. Second, the mine is producing lower quality coal which, in turn, has reduced the volume of coal produced. At the same time, the coal market in Utah has changed, market supplies are more available, and the advantages of owning coal mining assets in Utah have lessened. Together, these issues have combined to make continued operation of the Deer Creek Mine less economic than closure.

Notably, the Transaction is consistent with the Commission's recent requirement in Order No. 13-387 that the Company develop periodic fuel supply plans for its coal plants now supplied by captive coal mines.[7] The fuel supply plans are designed to provide a long-

[6] *In re PacifiCorp d/b/a Pacific Power*, Docket No. UM 1647, Order No. 13-347, Appendix A at 11 (Sept. 25, 2013).

[7] *In re PacifiCorp d/b/a Pacific Power 2014 Transition Adjustment Mechanism*, Docket No. UE 264, Order No. 13-387 at 7 (Oct. 28, 2013).

term assessment of the Company's coal supply options, which is the same review the Company conducted here for the Huntington and Hunter power plants. While the Company's decision to close the Deer Creek Mine predates the first set of fuel plans scheduled for 2015, the analysis underlying the Transaction serves an identical function. The Transaction will obviate the need for the 2015 fuel plans related to the Deer Creek Mine.

1. Increasing Mining Costs and Pension Liabilities

The workforce at the Deer Creek Mine is represented by the UMWA. Mining costs have sharply escalated at the mine, particularly related to pension liability and health care costs. The most recent UMWA agreement expired in January 2013. After almost two years of negotiations, Energy West reached a labor settlement with the UMWA on October 31, 2014. While the settlement allows Energy West to settle its Retiree Medical Obligation in exchange for a transfer of certain assets to UMWA, Energy West was unable to contain other rising costs through the labor settlement.

Energy West is obligated to make contributions to the 1974 Pension Trust, a multi-employer pension plan in which assets are pooled so that contributions by one employer are used to provide benefits to employees of other participating employers. The financial condition of the 1974 Pension Trust has deteriorated dramatically over the last several years. As of the last valuation on June 30, 2013, the deficit between the market value of the assets and the present value of the vested benefits was approximately $5.5 billion.

The only way for Energy West to limit its future financial obligations to the 1974 Pension Trust is to withdraw from the plan. Involuntary withdrawal would occur upon the last contributory hour being worked by the Company's UMWA workforce. This could be effectuated by sale or closure of the Deer Creek Mine and Preparation Plant. Beginning in

2012, Energy West looked for potential buyers for the Deer Creek Mine but did not receive any competitive offers. Mine closure is now the exclusive means by which Energy West may limit its pension liability.

At the time of withdrawal, Energy West will be obligated to pay a withdrawal liability equal to its proportionate share of the unfunded vested benefits as of the last valuation date. The most recent estimate of the withdrawal liability is approximately $126 million, an amount that will balloon if Energy West continues to participate in the plan.

Under the most recent labor settlement, Energy West remains responsible for almost 100 percent of the health care costs for active workers, with employees paying only a very minimal co-payment and with no premium cost sharing. Energy West's health care costs are now considerably higher than the health care costs of PacifiCorp's other union workforce.

2. Lower Quality Coal and Reduced Production

As Energy West sought to develop additional areas of the Deer Creek Mine's reserves, it discovered significant volumes of high ash and high sulfur coal. When the mine produces high ash and high sulfur coal, Energy West must transfer most of the coal from the Huntington power plant to the Preparation Plant for blending with lower ash coals to meet coal quality specifications. Limitations on physical transfer capacity and maximum stockpile capacity at the Huntington power plant require the Deer Creek Mine to reduce production when this blending is necessary.

In situations of poor coal quality, the Deer Creek Mine is required to operate on a single ten-hour shift instead of two ten-hour shifts. As a result, the mine's annual production is significantly reduced with associated increases in overall production costs.

B. Sale of Mining Assets

Because of the changes in the Company's fuel supply strategy for the Huntington and Hunter power plants, the Company proposes to sell Mining Assets to its CSA supplier, Bowie Resource Partners, LLC (Bowie): (1) the Preparation Plant and related assets located in Emery County, Utah; (2) the "remainder" assets, including the central warehouse facility located in Emery County, Utah (the Central Warehouse); and (3) the Trail Mountain Mine and related assets located in Emery County, Utah (Trail Mountain Mine).[8] The Mining Assets sale is discussed in greater detail in Section VI of this application, seeking approval for the sale under ORS 757.480(1)(a) and OAR 860-027-0025.

C. Coal Supply Agreements

1. Huntington CSA

As a part of the Transaction, the Company and Bowie entered into the Huntington CSA. Under the agreement, Bowie agrees to supply the Company's coal requirements for the Huntington power plant from the close of the Transaction to December 31, 2029, subject to minimum and maximum obligations and according to certain quality specifications.

Over the term of the Huntington CSA, the price per ton escalates in steps from [redacted] to [redacted] for the first [redacted] delivered in any contract year, with a reduction in price of [redacted] per ton for delivery exceeding [redacted] during the contract year. The Huntington CSA is conditioned on obtaining all necessary regulatory approvals and close of the Transaction on or before May 31, 2015.

The Huntington CSA provides the Company with broad termination rights if new environmental laws or regulations, or a settlement agreement, adversely affect the

[8] The Transaction also includes the sale of the assets of Fossil Rock Fuels LLC (Fossil Rock), a wholly owned subsidiary of the Company. These assets are not in Oregon rates, so the application does not address this aspect of the Transaction.

Company's ability to consume coal at the Huntington power plant. The terms of the Huntington CSA are favorable and the delivered fuel prices are projected to be lower than the estimated costs if the Deer Creek Mine remained in operation until 2019.

2. Hunter CSA

In 1999, the Company and Arch Coal entered into a CSA for the Hunter power plant. Bowie acquired Arch Coal's Utah mines in 2012 and took assignment of the agreement. Under that agreement, Bowie is the primary supplier of coal to the Hunter power plant. The term of the agreement extends through December 31, 2020.

Coal for the Hunter power plant is supplemented by other coal supplies, including from the Deer Creek Mine, based on varying coal qualities and economic supply opportunities. In connection with the execution of the Huntington CSA and the transfer of the Preparation Plant, the Company and Bowie agreed to the amended Hunter CSA.

The Preparation Plant has been operated by Energy West to blend incoming coal to meet the coal specification requirements for the Hunter power plant. As a part of the Transaction, Bowie will acquire title to the Preparation Plant, along with the obligation to undertake any required stockpiling and blending for the Hunter CSA. As a result of the change in ownership and operation of the Preparation Plant, the amended Hunter CSA revises the current supply agreement to address how coal quality is measured and the point of which it is delivered. The amended Hunter CSA also includes revisions relating to annual coal nomination dates.

D. Proposed Regulatory Asset for Unrecovered Mine Investment

The estimated unrecovered investment in the Deer Creek Mine is $86 million on a total-company basis, or approximately $21.1 million on an Oregon-allocated basis. The estimated unrecovered investment in the Mining Assets to be sold is [redacted] on a total-company basis, or approximately [redacted] on an Oregon-allocated basis.

E. Mine Closure Costs

The Company will incur closure costs for the Deer Creek Mine in 2015 and 2016. Closure costs are currently estimated to be [redacted] on a total-company basis, or approximately [redacted] on an Oregon-allocated basis. These include costs to remove everything from within the mine workings, install bulkheads in the coal seams, and seal the mine portals; supplemental unemployment and medical benefits required under the terms of the labor settlement; severance benefits to be provided to non-union employees; and certain royalties.

F. Pension Liability Costs

As described above, when Energy West ends participation in the 1974 Pension Trust, it will be obligated to pay a withdrawal liability based on its unfunded vested benefits in the plan. Energy West estimates that the present value of this liability on an accounting basis (required to be discounted at a risk-free rate) will be [redacted] on a total-company basis, or approximately [redacted] on an Oregon-allocated basis.

Energy West may choose to pay this liability through the annual installment payment methodology or through a single lump-sum payment. At the time of withdrawal, Energy West will pursue discussions with the Pension Trust to determine if the lump-sum option is the best option for the company and its customers. The annual installment payment is expected to be approximately $3 million on a total-company basis, which is the amount currently in rates. Because this payment is not sufficient to pay down the principal, the $3 million annual payment will not reduce the regulatory asset or the withdrawal liability. In the future, when the Company can reasonably anticipate an end-date for the withdrawal liability, the Company will request ratemaking treatment that establishes an amortization schedule coinciding with that end date. If the lump-sum option is elected, the Company proposes that the full amount be recorded as a regulatory asset with rate treatment addressed in a future proceeding.

G. Retiree Medical Obligation

As a part of the Transaction, Energy West settled its Retiree Medical Obligation by transferring assets to the UMWA [redacted]. The Company requests an accounting order allowing it to record as a regulatory asset the estimated [redacted] total-company accounting loss associated with the settlement of its Retiree Medical Obligation. The settlement loss is computed under generally accepted accounting principles, as described in more detail in Mr. Stuver's testimony and represents amounts that would have been charged to expense in the future without the settlement.

IV. REQUEST FOR PUBLIC INTEREST AND PRUDENCE DETERMINATIONS

To allow a utility to recover undepreciated investment in a retired utility plant, the Commission applies a net-benefits test to determine whether the retirement is in the public interest, as required by ORS 757.140(2)(b).[9] The net-benefit analysis compares the estimated allowable long-term costs of continued mine operation with the estimated allowable long-term costs of closing the mine and replacing its output.[10] Allowable costs are reasonable costs that the Commission would authorize a utility to include in rates.[11]

[9] *In re Portland General Electric Co.*, Docket Nos. DR 10, UE 88 & UM 989, Order No. 08-487 at 73 (Sept. 30, 2008) (Order No. 08-487), *affirmed Gearhart v. Public Util. Comm'n of Oregon*, 356 Or. 216 (2014).
[10] Order No. 08-487 at 73.
[11] *Id.*

In this context, the net-benefits review is complementary to a prudence review, which can be satisfied based upon the same evidence. Although the Commission does not generally provide prudence determinations before a utility enters into a particular transaction, the Commission "does recognize that under unique conditions some advance Commission expression regarding certain activities might be helpful and therefore leave that option open."[12] The Commission has used its discretion to provide approval of certain utility investments when unique circumstances so require.

For example, in 2011, the Commission pre-approved a gas reserve contract and approved the utility's requested ratemaking treatment for the contract costs.[13] In that case, NW Natural requested an order finding that the utility's decision to enter into a gas reserve contract was prudent, in part, because the contract required regulatory approval as a condition precedent. NW Natural also requested rate base treatment for the contract. The Commission approved both requests, which allowed NW Natural to proceed with the contract.

When the Company closed the Trail Mountain Mine in 2001, the Commission approved PacifiCorp's application for an accounting order regarding unrecovered costs associated with the closure of the mine.[14] Several months after approving PacifiCorp's accounting application, the Commission also approved a stipulation that allowed PacifiCorp to begin amortizing the regulatory asset in rates.[15] Although the Commission's order approving the accounting application and the ratemaking stipulation did not directly address

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[12] *In re Investigation into the Requirements of Section 712 of the 1992 Energy Policy Act*, Docket No. UM 573, Order No. 93-1491 at 6 (Oct. 15, 1993).
[13] *In re Northwest Natural Gas Co. d/b/a NW Natural,* Docket Nos. UM 1520 & UG 204, Order No. 11-140 (Apr. 28, 2011) (affirmed by Order No. 11-176).
[14] Order No. 02-224; *see also* Order No. 00-580, Appendix B at 2 (approving rates that included the closure costs of the Dave Johnston mine).
[15] *In re PacifiCorp*, Docket Nos. UM 1047 & UE 134, Order No. 02-343 (May 20, 2002).

the net-benefits standard in ORS 747.140(2)(b), Staff recommended that the Commission approve PacifiCorp's application, in part, because of less-than-expected coal reserves and favorable market conditions at the time of the closure allowed PacifiCorp to obtain lower cost coal through a long-term contract with a third-party supplier.[16]

Similarly, when the Company prematurely decommissioned its Powerdale hydroelectric generating plant due to flood damage, the Commission authorized the Company to retire the plant and record decommissioning costs and the net book value of the assets as a regulatory asset for subsequent recovery from customers.[17] The Company demonstrated that retiring the plant early would result in higher replacement power costs, but those higher costs were more than offset by the savings from not repairing the dam.[18] The Commission agreed with Staff that the "decision to retire the plant early is the least cost option" and that the "accounting order with true up provisions [for decommissioning costs] requested by PacifiCorp is the appropriate method to account for undepreciated plant assets and decommissioning costs."[19]

Here, the Company's analysis demonstrates that its customers will benefit from the closure of the Deer Creek Mine, withdrawal from the 1974 Pension Trust, settlement of the Retiree Medical Obligation, sale of the Mining Assets, and entering into the CSAs. Consistent with the Commission's net-benefits test, the Company compared three different scenarios: (1) continue to operate the Deer Creek Mine until depletion of the coal reserves in 2019, retain the Mining Assets, and procure third-party supply after 2019 (the Keep Case); (2) close the Deer Creek Mine now, sell or reclaim the Mining Assets, and enter into the

[16] Order No. 02-224, Appendix A at 4.
[17] Order No. 07-375. The Commission Staff observed that without an accounting order the Company would have been required to write-off the undepreciated investment in the plant. *Id.*, Appendix A at 3.
[18] *Id.*, Appendix A at 2.
[19] *Id.*, Appendix A at 3.

CSAs (the Transaction Case); and (3) close the Deer Creek Mine now, no Mining Asset sale, and replace the supply with market purchases (the Market Case). Three present value revenue requirement differentials were developed: (1) the Keep Case versus the Transaction Case; (2) the Keep Case versus the Market Case; and (3) the Market Case versus the Transaction Case.

The analysis compares the net present value of the revenue requirement for the three cases through 2029, the term of the Huntington CSA with Bowie.[20] The Company's analysis demonstrates that customers benefit more from the Transaction Case than the Keep Case or the Market Case. Compared to the Keep Case, the Transaction Case saves customers between [redacted] and [redacted] in net present value revenue requirement reductions. The financial analysis is discussed in greater detail in the testimony of Ms. Crane.

V. REQUEST FOR ORDER AUTHORIZING DEFERAL

If the Commission determines that deferred accounting is necessary to effectuate the regulatory treatment requested in this application, the Company requests a deferral order under ORS 757.259(2)(e), beginning from the date of this application, to appropriately match the costs borne by and benefits received by customers.

VI. REQUEST FOR APPROVAL OF PROPERTY TRANSACTION

A. Background on Mining Asset Sale

A description of Bowie and the proposed sale to Bowie of the Mining Assets is included below.

[20] The Company prepared one analysis for all jurisdictions using the same assumptions about regulatory treatment of the Transaction.

1. Bowie Resource Partners, LLC

Bowie is a Delaware limited liability company and one of the nation's largest western bituminous coal producers. Bowie has a diverse portfolio of four mining operations in Utah and Colorado that annually produce an aggregate of 14 million tons of high-BTU, low-sulfur bituminous coal. Bowie's mines include some of the most productive and longest continuously operating mines in the United States. It has three longwall mining operations—the Bowie Mine, the Skyline Mine, and the Sufco Mine—and one room-and-pillar operation, the Dugout Canyon Mine. As discussed above, Bowie is also a current coal supplier for the Hunter power plant under a CSA entered into in 1999.

2. The Proposed Sale of the Preparation Plant Assets

The Company owns certain fee lands, surface assets, equipment, and working capital assets related to and near the Preparation Plant, which is adjacent to the Hunter power plant. To achieve coal quality specifications, the Preparation Plant blends coal for the Hunter power plant, including coal from the Deer Creek Mine.

The Company's assets related to and near the Preparation Plant include certain parcels of real property located in Emery County, Utah, together with certain other related assets (the Preparation Plant Assets).

On December 12, 2014, the Company and Bowie entered into the Asset Purchase and Sale Agreement (the Preparation Plant APA). Under the Preparation Plant APA, the Company agrees to sell and Bowie agrees to purchase the Preparation Plant Assets for [redacted]. In addition, Bowie agrees to pay the Company at closing the value of the Company's working capital assets (consisting primarily of parts and supplies inventories) used in connection with the Preparation Plant Assets. Bowie also agrees to assume and discharge certain liabilities, including all reclamation and asset retirement obligations related to the Preparation Plant Assets.

3. The Proposed Sale of the Central Warehouse Assets

The Company also owns additional fee lands, surface assets and mining equipment, including the central warehouse facility, located near Castle Dale, Utah. Those assets include certain parcels of real property located in Emery County, Utah, together with other related assets (the Central Warehouse Assets).

On December 12, 2014, the Company and Bowie entered into the Asset Purchase and Sale Agreement (the Central Warehouse APA). Under the Central Warehouse APA, there is no stated monetary consideration for the transfer of the Central Warehouse Assets from the Company to Bowie. As consideration for the transfer, Bowie agrees to assume and discharge certain liabilities, including all asset retirement obligations for the Central Warehouse Assets.

4. The Proposed Sale of the Trail Mountain Mine and the Related Assets.

In 1992, the Company purchased the Trail Mountain Mine. Coal production began at the Trail Mountain Mine with continuous mining in 1994, but ended mining operations in 2001 due to the depletion of existing reserves, the long lead time to acquire adjacent reserves, and the availability of competitively priced external coal. Although closed in 2001, the Trail Mountain Mine has not been reclaimed. In 2002, the Commission allowed PacifiCorp to record a regulatory asset and recover in rates the undepreciated investment in the Trail Mountain Mine resulting from the mine's closure.[21]

[21] Order No. 02-224.

In addition to holding the Trail Mountain Leases, the Company owns a certain parcel of real property adjacent to the coal leases, together with related assets (the Trail Mountain Assets). Substantially all of the Trail Mountain Assets are situs assigned to Utah.

On December 12, 2014, the Company and Bowie entered into the Asset Purchase and Sale Agreement (the Trail Mountain APA). Under the Trail Mountain APA, there is no stated monetary consideration for the transfer of the Trail Mountain Assets to Bowie. As consideration for the transfer, Bowie agrees to assume and discharge certain liabilities, including all mine reclamation and asset retirement obligations for the Trail Mountain Assets.

B. Compliance with OAR 860-027-0025(1) Filing Requirements.

1. Address

The Company's exact name and address of its principal business office are:

PacifiCorp
825 NE Multnomah Street
Portland, OR 97232

2. State in which incorporated; date of incorporation; other states in which authorized to transact utility business

PacifiCorp is a corporation under Oregon law. PacifiCorp's date of incorporation is August 11, 1987. PacifiCorp is authorized to provide retail electric service in Oregon, California, Idaho, Washington, Wyoming, and Utah and wholesale electric service throughout the Western United States.

In Oregon, the Company engages in the generation, transmission, distribution and sale of electric energy in Benton, Clackamas, Clatsop, Coos, Crook, Deschutes, Douglas, Gilliam, Hood River, Jackson, Jefferson, Josephine, Klamath, Lake, Lane, Lincoln, Linn, Marion, Morrow, Multnomah, Polk, Sherman, Tillamook, Umatilla, Wallowa, Wasco and Washington Counties.

3. Communications and notices

See Section II above.

4. Principal Officers

NAME	TITLE
Gregory E. Abel	Chairman of Board & CEO
Micheal G. Dunn	President and CEO, PacifiCorp Energy
Cindy A. Crane	President and CEO, Rocky Mountain Power
R. Patrick Reiten	President and CEO, Pacific Power
Douglas K. Stuver	Senior Vice President & Chief Financial Officer

5. Description of business; designation of territories served

See Section VI.B.2 above.

6. Statement showing for each class and series of capital stock: brief description; amount authorized; amount outstanding; amount held as required securities; amount pledged; amount owned by affiliated interests; amount held in any fund

The Company respectfully requests a waiver of this requirement because the property conveyance does not involve the acquisition or sale of financial instruments. A grant of this waiver will not impede the Commission's analysis of this application.

7. Statement showing for each class and series of long-term debt and notes: brief description of amount authorized; amount outstanding; amount held as required securities; amount pledged; amount held by affiliated interests; amount in sinking and other funds

The Company respectfully requests a waiver of this requirement because the property conveyance does not involve the acquisition or sale of financial instruments. A grant of this waiver will not impede the Commission's analysis of this application.

8. Purpose of application; description of consideration and method of arriving at amount thereof

The application requests approval for PacifiCorp to sell certain Mining Assets in the state of Utah. The book value of the property was estimated using PacifiCorp's accounting records. A description of the consideration and a method of arriving at the amount thereof is included in Section VI.A.

9. Statement of facilities to be disposed of; description of present use and proposed use; inclusion of all operating facilities of parties to the transaction

Please refer to Section VI.A above. More detailed descriptions of the assets to be transferred are included in the asset purchase and sales agreements attached to the testimony of Ms. Crane. The proposed disposition does not include all of the operating facilities of either party to the Transaction.

10. Statement by primary account of cost of the facilities and applicable depreciation reserve

The estimated unrecovered investment in the Preparation Plant is $20 million on a total-company basis (excluding any consideration associated with the sale), or approximately $4.9 million on an Oregon-allocated basis. The estimated unrecovered investment in the Central Warehouse assets is $0.3 million on a total-company basis, or $0.1 million on an Oregon-allocated basis, with no offset for proceeds from the sale to Bowie. The estimated unrecovered investment in Trail Mountain Mine is $0.7 million on a total-company basis, virtually all of which is situs assigned to Utah. The Company's unrecovered investment in the Mining Assets [redacted] is estimated to be [redacted] on a total-company basis, or approximately [redacted] on an Oregon-allocated basis.

11. Required filings with other state or federal regulatory bodies

The Transaction requires the approval of the California Public Utilities Commission (CPUC), the Idaho Public Utilities Commission (IPUC), the Utah Public Service Commission (UPSC), and the Wyoming Public Service Commission (WPSC). A copy of these applications will be provided to the Commission upon request. The Transaction does not require the approval of Securities and Exchange Commission or the Federal Energy Regulatory Commission (FERC).

12. Facts relied upon by applicant to show transaction is within the public interest

A transaction must be consistent with the public interest for Commission approval.[22] A transaction is consistent with the public interest when it will not harm the Company's customers.[23] As described above, and in the testimony filed by the Company in support of its application, the Transaction provides net benefits to customers. Therefore, the sale of the Mining Assets is consistent with the public interest.

13. Reasons relied upon for entering into the proposed transaction; benefits to customers

Please refer to Sections IV and VI.A above.

14. Amount of stock, bonds, or other securities, now owned, held or controlled by applicant, of the utility from which stock or bonds are proposed to be acquired

The Company respectfully requests a waiver of this requirement because the property conveyance does not involve the acquisition or sale of financial instruments. A grant of this waiver will not impede the Commission's analysis of this application.

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[22] *See* OAR 860-027-0025(1)(l).

[23] *See, e.g., In the Matter of a Legal Standard for Approval of Mergers*, Docket No. UM 1011, Order No. 01-778 at 10 (Sept. 4, 2001) ("The remainder of the statutory scheme, those statutes governing transfer, sale, affiliated interest transactions, and contracts, either expresses no standard (for instance, ORS 757.480, .485) *and has been read to require a no harm standard*, or contains a 'not contrary to the public interest' standard (ORS 757.490, .495.)") (emphasis added); *In re Application of PacifiCorp*, Docket No. UP 168, Order No. 00-112 at 6 (Feb. 29, 2000) (regarding the sale of the Centralia generating plant and mine); *In re Application of Portland General Electric Co.*, Docket No. UP 158, Order No. 00-111 at 2 (Feb. 29, 2000) (regarding the sale of the Colstrip generating units); *In re Application of Portland General Electric Co.*, Docket Nos. UP 165 & UP 170, Order No. 99-730 at 7 (Nov. 29, 1999) (regarding the sale of the Centralia generating plant).

15. Statement of franchise held; date of expiration; facilities of transferees

The Company respectfully requests a waiver of this requirement because the property conveyance does not involve the acquisition or sale of franchises. A grant of this waiver will not impede the Commission's analysis of this application.

C. Compliance with OAR 860-027-0025(2) Filing Requirements

1. Exhibit A—Articles of Incorporation

The Company respectfully requests a waiver of this filing requirement because production of this document would be burdensome and would not advance the Commission's analysis of this application. The transaction at issue involves the conveyance of utility property and does not affect the Company's corporate structure or governance.

2. Exhibit B—Bylaws

The Company respectfully requests a waiver of this filing requirement because production of this document would be burdensome and would not advance the Commission's analysis of this application. The transaction at issue involves the conveyance of utility property and does not affect the Company's corporate structure or governance.

3. Exhibit C—Resolution of directors authorizing transaction

No board resolution was necessary for approval of the conveyance of the property.

4. Exhibit D—Mortgages, trust, deeds or indentures securing obligations of each party

No such documentation is necessary for the conveyance of the property.

5. **Exhibit E—Balance sheet showing booked amounts, adjustments to record the proposed transaction and pro forma, with supporting fixed capital or plant schedules in conformity with the forms in the annual report**

The Company respectfully requests that the requirement to provide pro forma information be waived because the conveyance of the property will not materially affect the Company's financial statements.

6. **Exhibit F—Known contingent liabilities**

The Company is unaware of any contingent liabilities associated with the conveyance of the property that remain outstanding as of the date of this application.

7. **Exhibit G—Comparative income statements showing recorded results of operations, adjustments to record the proposed transaction and pro forma, in conformity with the form in the annual report**

The Company respectfully requests that this requirement be waived because the conveyance of the property will not materially affect the Company's financial statements.

8. **Exhibit H—Analysis of surplus for the period covered by income statements referred to in Exhibit G**

The Company respectfully requests that this requirement be waived because the conveyance of the property will not materially affect the Company's income statement.

9. **Exhibit I—Copy of contract for transaction and other written instruments**

Attached to the testimony of Cindy Crane are copies of the Trail Mountain APA, the Preparation Plant APA, and the Remainder/Central Warehouse APA, Huntington CSA and Hunter CSA amendment.

10. Exhibit J—Copy of each proposed journal entry to be used to record the transaction

The Company respectfully requests that this requirement be waived because the Company has not completed the proposed journal entries and the testimony and exhibits of Mr. Stuver filed with this application provide detailed accounting information.

11. Exhibit K—Copy of each supporting schedule showing the benefits, if any, which each applicant relies upon to support the facts required by (1)(l) of this rule and reasons as required by (1)(m)

This application and attachments contain the necessary information to demonstrate the benefits of this transaction and for the Commission to base its decision. The Company relies upon the statements made in this application and respectfully requests a waiver of this filing requirement. However, the Company is prepared to provide additional information as requested by the Commission.

VII. CONCLUSION

The Company respectfully requests that the Commission:

- Find that the Company's decision to enter into the Transaction, including closure of the Deer Creek Mine, the resulting withdrawal from the 1974 Pension Trust, and the settlement of the Retiree Medical Obligation, is in the public interest and prudent;
- Approve the Deer Creek Mine Closure tariff for accelerated recovery of closure costs and unrecovered investment;
- Authorize continued recovery of annual payments to the 1974 Pension Trust through net power costs until such time that the payments cease, change or the withdrawal obligation is otherwise satisfied.
- Authorize the creation of regulatory assets associated with the Transaction;
- Approve the sale of the Mining Assets and allow accelerated recovery of the loss through the Deer Creek Mine Closure tariff;
- Approve the CSAs; and

The Company requests these orders on or before May 27, 2015, to allow the Transaction to close before the May 31, 2015 deadline for regulatory approvals of the Transaction agreements.

Respectfully submitted this 12th day of December, 2014.

By: ______________________

Katherine A. McDowell
McDowell, Rackner & Gibson PC

Sarah K. Wallace
Assistant General Counsel
PacifiCorp d/b/a Pacific Power

Attorneys for PacifiCorp d/b/a Pacific Power

ATTACHMENT A

NOTICE

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM ______

In the Matter of PACIFICORP d/b/a PACIFIC POWER Application for Approval of Deer Creek Mine Transaction.	**PACIFICORP'S APPLICATION FOR APPROVAL**

On December 12, 2014, PacifiCorp d/b/a Pacific Power filed an application with the Public Utility Commission of Oregon (Commission) for approval of a transaction involving the Deer Creek Mine located near Huntington, Utah, and related matters. PacifiCorp's application includes an alternate request for deferral of certain transaction costs. To obtain a copy the application, contact the following:

Oregon Dockets
825 NE Multnomah, Suite 2000
Portland, OR 97232
Telephone: (503) 813-6583
E-mail: oregondockets@pacificorp.com

In the application, the Company requests an order before May 27, 2015, and any person may submit written comments to the Commission regarding the application before that date.

Respectfully submitted on December 12, 2014.

By: ______________________
Sarah K. Wallace
Assistant General Counsel
PacifiCorp d/b/a Pacific Power

ATTACHMENT B

DEER CREEK MINE CLOSURE ADJUSTMENT

Purpose

This schedule recovers costs associated with the closure of the Deer Creek Mine, as authorized by Order No. 15-xxx in Docket UM xxx.

Monthly Billing

All bills calculated in accordance with Schedules contained in presently effective Tariff Or. No.36 will have applied an amount equal to the product of all kWh multiplied by the following applicable rate as listed by Delivery Service schedule.

Delivery Service Schedule	
Schedule 4, per kWh	0.342¢
Schedule 5, per kWh	0.342¢
Schedule 15, per kWh	0.231¢
Schedule 23, 723, per kWh	0.325¢
Schedule 28, 728, per kWh	0.335¢
Schedule 30, 730, per kWh	0.320¢
Schedule 41, 741, per kWh	0.331¢
Schedule 47, 747, per kWh	0.293¢
Schedule 48, 748, per kWh	0.293¢
Schedule 50, per kWh	0.231¢
Schedule 51, 751, per kWh	0.231¢
Schedule 52, 752, per kWh	0.231¢
Schedule 53, 753, per kWh	0.231¢
Schedule 54, 754, per kWh	0.231¢

This schedule will terminate when ordered amounts have been fully recovered.

DEER CREEK MINE CLOSURE - SUPPLY SERVICE ADJUSTMENT
Schedule 198

			Tariff Increases				*Net Tariff*
		Amount Currently in TAM (6/1/15-12/31/15)	**Projected Balances at 12/31/2014**	**Closure Costs**	**Retiree Medical Settlement Loss**	**Cost of Replacement Fuel Supply (6/1/15-12/31/15)**	
Existing Costs:							
Deer Creek assets transferred to regulatory asset							
Gross electric plant in service			$ 217				
Accumulated depreciation			(130)				
CWIP			5				
Expected salvage			(6)				
Net book value			86				
Assets to be sold							
Gross electric plant in service			43				
Accumulated depreciation			(23)				
CWIP			1				
Expected sales proceeds			[redacted]				
Net book value							
Total net rate base							
Net power costs (a)		(165)				164	
New costs:							
Closure costs				[redacted]			
Retiree medical settlement loss					[redacted]		
Total amounts flowing into tariff		$ (165)	[redacted]			$ 164	$ 174
Oregon SE factor (per 2015 TAM)	24.484%	$ (40.4)				$ 40.2	$ 42.6

(a) Amounts to be credited or charged to customers through the tariff will cover only the last 7 months of 2015 due to the transactions becoming effective May 31, 2015.
Fuel costs will be reset in the 2016 TAM effective 1/1/2016, at which point the forecast fuel costs associated with Bowie and replacement fuel supply will be reflected.

Note - The UMWA pension contribution of $3m annually is currently reflected in rates through the TAM. The company proposes to continue to recover this amount annually in TAM or move these charges to base rates in the company's next general rate case filing. The regulatory asset for the Pension Trust is fully offset by the withdrawal liability, resulting in no customer impact.

Deer Creek Mine Closure

PACIFIC POWER
ESTIMATED EFFECT OF PROPOSED PRICE CHANGE ON REVENUES FROM ELECTRIC SALES TO ULTIMATE CONSUMERS DISTRIBUTED BY RATE SCHEDULES IN OREGON FORECAST 12 MONTHS ENDING DECEMBER 31, 2015

					Present Revenues ($000)			Proposed Revenues ($000)			Change				
											Base Rates		Net Rates		
Line No.	Description	Sch No.	No. of Cust	MWh	Base Rates	Adders[1]	Net Rates	Base Rates	Adders[1]	Net Rates	($000)	%[2]	($000)	%[2]	Line No.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
							(5) + (6)			(8) + (9)	(8) - (5)	(11)/(5)	(10) - (7)	(13)/(7)	
	Residential														
1	Residential	4	484,343	5,253,064	$596,641	$5,735	$602,376	$596,641	$23,698	$620,339	$0	0.0%	$17,963	3.0%	1
2	**Total Residential**		484,343	5,253,064	$596,641	$5,735	$602,376	$596,641	$23,698	$620,339	$0	0.0%	$17,963	3.0%	2
	Commercial & Industrial														
3	Gen. Svc. < 31 kW	23	76,950	1,121,146	$122,085	$5,208	$127,293	$122,085	$8,850	$130,935	$0	0.0%	$3,642	2.9%	3
4	Gen. Svc. 31 - 200 kW	28	10,093	2,014,017	$181,669	$3,141	$184,810	$181,669	$9,895	$191,564	$0	0.0%	$6,753	3.7%	4
5	Gen. Svc. 201 - 999 kW	30	857	1,343,078	$107,746	$1,055	$108,801	$107,746	$5,353	$113,099	$0	0.0%	$4,298	4.0%	5
6	Large General Service >= 1,000 kW	48	203	3,046,739	$212,223	($9,425)	$202,798	$212,223	($507)	$211,716	$0	0.0%	$8,918	4.4%	6
7	Partial Req. Svc. >= 1,000 kW	47	7	61,069	$6,441	($199)	$6,242	$6,441	($28)	$6,413	$0	0.0%	$171	4.4%	7
8	Agricultural Pumping Service	41	7,942	228,528	$26,253	($1,240)	$25,013	$26,253	($484)	$25,769	$0	0.0%	$756	3.0%	8
9	**Total Commercial & Industrial**		96,052	7,814,577	$656,417	($1,459)	$654,958	$656,417	$23,079	$679,496	$0	0.0%	$24,539	3.8%	9
	Lighting														
10	Outdoor Area Lighting Service	15	6,579	9,214	$1,177	$221	$1,398	$1,177	$242	$1,419	$0	0.0%	$21	1.5%	10
11	Street Lighting Service	50	246	8,768	$970	$195	$1,165	$970	$215	$1,185	$0	0.0%	$20	1.7%	11
12	Street Lighting Service HPS	51	736	19,319	$3,374	$712	$4,086	$3,374	$756	$4,130	$0	0.0%	$45	1.1%	12
13	Street Lighting Service	52	26	565	$73	$13	$86	$73	$14	$87	$0	0.0%	$1	1.5%	13
14	Street Lighting Service	53	249	9,518	$597	$120	$717	$597	$143	$740	$0	0.0%	$22	3.1%	14
15	Recreational Field Lighting	54	105	1,246	$104	$20	$124	$104	$23	$127	$0	0.0%	$3	2.3%	15
16	**Total Public Street Lighting**		7,941	48,630	$6,295	$1,281	$7,576	$6,295	$1,394	$7,689	$0	0.0%	$113	1.5%	16
17	**Total Sales before Emp. Disc. & AGA**		588,336	13,116,271	$1,259,353	$5,557	$1,264,910	$1,259,353	$48,171	$1,307,524	$0	0.0%	$42,614	3.4%	17
18	Employee Discount				($463)	($3)	($466)	($463)	($17)	($480)	$0		($14)		18
19	**Total Sales with Emp. Disc**		588,336	13,116,271	$1,258,890	$5,554	$1,264,444	$1,258,890	$48,154	$1,307,044	$0	0.0%	$42,600	3.4%	19
20	AGA Revenue				$2,439		$2,439	$2,439		$2,439	$0		$0		20
21	**Total Sales**		588,336	13,116,271	$1,261,329	$5,554	$1,266,883	$1,261,329	$48,154	$1,309,483	$0	0.0%	$42,600	3.4%	21

[1] Excludes effects of the Low Income Bill Payment Assistance Charge (Sch. 91), BPA Credit (Sch. 98), Klamath Dam Removal Surcharges (Sch. 199), Public Purpose Charge (Sch. 290) and Energy Conservation Charge (Sch. 297).

[2] Percentages shown for Schedules 48 and 47 reflect the combined rate change for both schedules

REDACTED
Docket No. UM ____
Exhibit PAC/100
Witness: Cindy A. Crane

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

PACIFICORP

REDACTED
Direct Testimony of Cindy A. Crane

December 2014

TABLE OF CONTENTS

ATTACHED EXHIBITS

INTRODUCTION

Q. Please state your name, business address and present position with PacifiCorp dba Pacific Power (PacifiCorp or the Company).

A. My name is Cindy A. Crane. My business address is 201 South Main Street, Suite 2300, Salt Lake City, Utah 84111. My position is President and Chief Executive Officer (CEO), Rocky Mountain Power.

QUALIFICATIONS

Q. Briefly describe your professional experience.

A. I joined PacifiCorp in 1990 and have held positions of increasing responsibility, including Director of Business Systems Integration, Managing Director of Business Planning and Strategic Analysis, and Vice President of Strategy and Division Services. My responsibilities have included the management and development of the Company'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 Vice President of Interwest Mining Company and Fuel Resources. In this position, I was responsible for the operations of Energy West Mining Company (Energy West) and Bridger Coal Company, as well as overall coal supply acquisition and fuel management for the Company's coal-fueled generating plants. On November 1, 2014, I was appointed as President and CEO of Rocky Mountain Power.

PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony?

A. My testimony supports the Company's application (Application) for approval of the transaction to close the Deer Creek Mine, which consists of four major components: (1) the Company will permanently close the Deer Creek Mine and incur direct closure costs (Closure); (2) Energy West will withdraw from the United Mine Workers of America (UMWA) 1974 Pension Trust (1974 Pension Trust) and incur a withdrawal liability; (3) the Company will sell certain mining assets (Mining Assets); and (4) the Company will execute a replacement coal supply agreement (CSA) for the Huntington power plant and an amended CSA for the Hunter power plant. In addition, Energy West has settled its retiree medical obligation related to Energy West union participants (Retiree Medical Obligation). Together, the components of the closure and settlement of the Retiree Medical Obligation constitute the transaction to close the Deer Creek Mine (Transaction).

Q. Please summarize your testimony.

A. My testimony explains why the Transaction to close the Deer Creek Mine is prudent and in the public interest. I outline the factors that led to the Company's decision to close the Deer Creek Mine, and sponsor the Company's present value revenue requirement analysis demonstrating that the closure of the Deer Creek Mine, as structured in the Transaction, provides significant benefits to customers.

Q. Do certain aspects of the Transaction require Commission approval by a date certain?

A. Yes. The sale of the Mining Assets and the CSAs are contingent upon regulatory approval and the close of the Transaction on or before May 31, 2015.

Q. Please explain how your testimony is organized.

A. First, I briefly describe the Deer Creek Mine and the other Mining Assets and explain how these assets are currently utilized to supply the Hunter and Huntington power plants.

Second, I provide an overview of the Transaction, including the four main elements: (1) the permanent closure of the Deer Creek Mine; (2) the withdrawal from the 1974 Pension Trust and transfer of the Retiree Medical Obligations to the UMWA; (3) the sale of the Mining Assets; and (4) the CSAs.

Third, I describe the main reasons for the Transaction.

Finally, my testimony demonstrates how customers will benefit from the Transaction. This demonstration includes a description of the studies performed, the assumptions in the studies, and results of the studies.

Q. Please introduce the other witnesses testifying in support of the Company's application.

A. The Company's application is supported by the following testimony:

- Douglas K. Stuver, Senior Vice President and Chief Financial Officer of PacifiCorp, provides testimony on the regulatory and accounting treatment of the Transaction. Mr. Stuver also explains the financial impacts of Energy West's withdrawal from the 1974 Pension Trust and settlement of the Retiree Medical Obligation.
- Seth Schwartz, President of Energy Ventures Analysis, Inc., provides testimony explaining how the Transaction significantly mitigates Energy West's liability

under the 1974 Pension Trust. Mr. Schwartz also supplies current and projected Utah coal market data, which supports the decision to close the Deer Creek Mine and the prudence of the Company's Huntington CSA and amended Hunter CSA.

CURRENT USE OF DEER CREEK MINE AND MINING ASSETS

Q. Please describe the Deer Creek Mine.

A. The Deer Creek Mine is located in Emery County, Utah. The Deer Creek Mine is operated by Energy West, a wholly-owned subsidiary of the Company. The Company acquired a majority of the lands and coal leases that make up the East Mountain coal reserve complex from Peabody Coal Company in 1977. Since the acquisition, the East Mountain coal reserves/resources have been supplemented with additional adjacent coal leases acquired over the past 35 years to extend mine life. Together, the original lands and leases in addition to the adjacent leases have been successfully mined for 37 years.

The East Mountain Logical Mining Unit or (LMU) has included mine production from the Deer Creek Mine, the Cottonwood Mine and the Des-Bee-Dove Mine. The Deer Creek Mine is the only mine of the three mines located within the East Mountain LMU boundaries that is currently operating. The reserves in the Cottonwood Mine have been depleted and the mine has been closed since 1994. Full reclamation of the Cottonwood mine facilities began in 2014 and should be completed in 2016. The reserves in the Des-Bee-Dove Mine were depleted, and it was closed in 1986. The Des-Bee-Dove Mine has been completely sealed and fully reclaimed in accordance with its approved mine permit.

Q. Which Company power plants are currently supplied by the Deer Creek Mine?

A. The Deer Creek Mine supplies the Huntington and Hunter power plants. The Huntington power plant currently consumes on average 2.8 to 2.9 million tons of coal annually. The Deer Creek Mine was expected to meet nearly the entire supply obligation for the Huntington power plant until the depletion of the Deer Creek coal reserves in or around 2019. After depletion, the Company planned to procure the Huntington power plant's supply needs from third parties. Some Deer Creek Mine coal is also used to supply the Hunter power plant.

Q. How is coal supplied to the Hunter power plant?

A. Bowie Resource Partners, LLC (Bowie), the Company's counter-party in the Transaction, supplies coal to the Hunter power plant under a long-term coal supply agreement that went into effect in 1999 and expires in 2020. Bowie supplies coal to the Hunter power plant primarily from its Sufco Mine in Sevier County, Utah. The coal supply for the Hunter power plant is supplemented with other coal supplies (including Deer Creek and supply from Murray Energy's West Ridge Mine) based on varying coal qualities, as well as economic supply opportunities. Prior to consumption, a large percentage of the Hunter power plant coal supply is blended at the Company's coal preparation plant (Preparation Plant), which is located south of and adjacent to the Hunter power plant.

Q. Please provide background information on Bowie.

A. Bowie is one of the nation's largest western bituminous coal producers. Bowie has a diverse portfolio of four mining operations in Utah and Colorado that annually produce an aggregate of up to 14 million tons of high-BTU, low-sulfur bituminous coal per year. Its mines are some of the safest, most productive and longest, continuously-operating mines in the western United States. It has three longwall mining operations: Bowie Mine, Skyline Mine and Sufco Mine, and one room-and-pillar operation, Dugout Canyon Mine. Bowie has a significant reserve base and the ability to expand its production base via organic growth and bolt-on reserve acquisitions. Bowie has been recognized for its environmental stewardship and has a strong track record for a reduction of safety violations and lost-time safety incident rates.

In 2013, Bowie acquired the Arch Coal Sales Company's (Arch) Utah mines. Bowie's acquisition of Arch's Utah mines included Canyon Fuels Company LLC (Canyon Fuels), which manages the Utah mining operations directly. This has resulted in continuity of management and made the ownership change invisible to the Company. The Company has a long-standing relationship with Canyon Fuels, which has provided the Company with reliable and economic coal supply for its Utah coal-fueled plants since 1999. Canyon Fuels is well regarded for its prudent and cost-efficient mining.

Q. Please identify the Mining Assets PacifiCorp plans to sell to Bowie in the Transaction.

A. The Mining Assets consist of the Preparation Plant and related assets[1] located in Emery County, Utah; the central warehouse facility and related assets[2] located in

[1] The Company's assets related to and near the Preparation Plant include certain parcels of real property located in Emery County, Utah, together with: (a) buildings, fixtures, and other improvements thereon, including the Preparation Plant; (b) right, title and interest in and to adjacent streets, easements, and rights-of-way; (c) certain personal property located on the real property, and (d) other rights and interests appurtenant to the real property, improvements, and personal property (collectively with the real property, the Preparation Plant Assets).

[2] Those assets include certain parcels of real property located in Emery County, Utah, together with: (a) right, title and interest in and to adjacent streets, easements, and rights-of-way; (b) buildings, fixtures, and other improvements on the real property, including the central shop and warehouse facilities; (c) certain personal property located on the real property; and (d) other rights and interests appurtenant to the real property,

Emery County, Utah (Central Warehouse); and the Trail Mountain Mine and related assets[3] located in Emery County, Utah (Trail Mountain Mine). In addition, the Transaction includes the assets of Fossil Rock Fuels LLC, a wholly-owned subsidiary of the Company (Fossil Rock). Because Fossil Rock has never been reflected in Oregon rates, however, it is not covered by the application or addressed further in my testimony.

Q. How does the Company currently use the Preparation Plant?

A. To achieve coal quality specifications, the Preparation Plant blends coal for the Hunter power plant, which, as noted above, is primarily supplied by Bowie and supplemented with supply from Murray Energy's West Ridge Mine and the Company's Deer Creek Mine. For purposes of determining the fuel costs at the Hunter power plant, the blending costs of the Preparation Plant are in addition to the delivered third-party supply costs.

Q. Please describe the Central Warehouse and its use by the Company.

A. The Central Warehouse facility is located near Castle Dale, Utah. The warehouse is used to store equipment and supply inventories for the Company's nearby facilities, including the Preparation Plant and the Deer Creek Mine.

Q. Please describe the Trail Mountain Mine.

A. In September 1992, the Company purchased the Trail Mountain Mine, acquiring

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improvements, and/or personal property (collectively with the real property, the Central Warehouse Assets).

[3] In addition to holding the Trail Mountain Coal Leases, defined below, the Company owns a certain parcel of real property adjacent to the coal leases, together with the following assets: (a) all right, title and interest in and to appurtenant easements and rights-of-way; (b) any improvements and infrastructure located on the Trail Mountain Coal Leases or the real property; (c) certain personal property located on the real property; (d) all data, files, reports, information and records related to the Trail Mountain Coal Leases; and (e) any other rights and interests appurtenant to the Trail Mountain coal leases or the real property, and any improvements or infrastructure located thereon (collectively with the Trail Mountain coal leases and the real property, the Trail Mountain Assets).

United States coal leases UTU-49332, UTU-64375 and UTU-082996 located in Emery County, Utah (Trail Mountain Coal Leases), along with all existing surface facilities and underground support systems from Mountain Coal Company. At the time, the acquisition of the Trail Mountain reserves provided certain strategic advantages to the Company. The Trail Mountain Coal Leases are adjacent to the Cottonwood Mine, which was already owned and operated by the Company. The close proximity allowed ready access to the Cottonwood Mine facilities for processing coal extracted from Trail Mountain and had the potential to extend the life of the Cottonwood facilities. While coal mining operations at the Cottonwood Mine ceased in 1994, until the closure of the Trail Mountain Mine in 2001, the Company continued to use the Cottonwood Mine facilities to transport coal, via an underground conveyor within the Cottonwood Mine, from the Trail Mountain Mine to the Cottonwood Mine loadout facilities.

The Company began coal production at the Trail Mountain Mine with continuous mining in 1994, but ceased mining operations in 2001 due to the depletion of existing reserves, the long lead time to acquire adjacent reserves, and the availability of competitively priced external coal. Although closed in 2001, the Trail Mountain Mine has not been reclaimed or remediated.

THE TRANSACTION

Q. Please summarize the major elements of the proposed Transaction.

A. As noted above, the Transaction involves closure of the Deer Creek Mine and the resulting withdrawal from the 1974 Pension Trust and transfer of the Retiree Medical Obligation. In addition, it includes two components with Bowie: the sale of the

Mining Assets and the execution and implementation of the Huntington CSA and Hunter CSA amendment.

The Company will close the Deer Creek Mine in 2015, before the full depletion of the coal reserves. There are two main reasons for the early closure: (1) escalating mining costs and pension liabilities; and (2) declining reserves in terms of volume and quality. These factors have combined to make continued operation of the Deer Creek Mine uneconomic. I provide a more detailed description of the reasons why the Company is recommending closure of the mine in my testimony below.

In connection with the Deer Creek Mine closure, the Company was able to make advantageous sales of its Mining Assets to Bowie. With the closure of the Deer Creek Mine, it is also necessary to replace the deteriorating coal supply; therefore, the Company executed a CSA with Bowie to replace the Deer Creek Mine coal currently being supplied to the Huntington power plant. The sale of the Mining Assets to Bowie is described in more detail in my testimony below.

The Deer Creek Mine coal supply to the Huntington power plant is being replaced with a long-term, third-party coal supply agreement with Bowie, (the Huntington CSA). The term of the Huntington CSA is through December 31, 2029. Due to the Utah coal market conditions at this time, the Company was able to secure a favorable long-term contract to replace the Deer Creek Mine supply. In addition, the Company is amending a long-term coal supply agreement with Bowie for the Hunter power plant, (the Hunter CSA). The delivered fuel prices under the CSAs are projected to be lower than the estimated costs to continue mining at Deer Creek and operating the Preparation Plant. Mr. Schwartz provides additional detail on the analysis of the economics of the coal contracts relative to long-term coal forecasts in his testimony.

Q. Please describe the proposed sale of the Preparation Plant Assets.

A. On December 12, 2014, the Company and Bowie entered into the Asset Purchase and Sale Agreement (Preparation Plant Assets) (the Preparation Plant APA), which is attached to my testimony as Confidential Exhibit PAC/101.

Under the Preparation Plant APA, the Company agrees to sell and Bowie agrees to purchase the Preparation Plant Assets for [redacted] In addition, Bowie agrees to pay the Company at closing the value of the Company's working capital assets (consisting primarily of parts and supplies inventories) used in connection with the Preparation Plant Assets. The value of the working capital assets will be determined no less than 10 days prior to the Transaction closing date, and shall not exceed $[redacted]. Bowie also agrees to assume and discharge certain liabilities, including all reclamation and all asset retirement obligations with respect to the Preparation Plant Assets and all environmental remediation obligations.

As a result of the sale to Bowie, the Company will avoid the operating cost of blending coal for the Hunter power plant (a levelized savings of approximately $[redacted] per year), and will benefit from reduced inventory costs (a levelized savings of approximately $[redacted] per year).

Q. Please describe the sale of the Company's Central Warehouse Property.

A. On December 12, 2014, the Company and Bowie entered into the Asset Purchase and Sale Agreement (Central Warehouse Property) (the Central Warehouse APA), which is attached to my testimony as Confidential Exhibit PAC/102.

Under the Central Warehouse APA, there is no stated monetary consideration for the transfer of the Central Warehouse Property from the Company to Bowie. As consideration for the transfer, Bowie agrees to assume and discharge certain liabilities, including all asset retirement obligations with respect to the Central Warehouse Property and all environmental remediation obligations.

Q. Please describe the proposed sale of Trail Mountain Mine Assets.

A. On December 12, 2014, the Company and Bowie entered into the Asset Purchase and Sale Agreement (Trail Mountain Assets) (the Trail Mountain APA), which is attached to my testimony as Confidential Exhibit PAC/103.

Under the Trail Mountain APA, there is no stated monetary consideration for the transfer of the Trail Mountain Assets from the Company to Bowie. As consideration for the transfer, Bowie agrees to assume and discharge certain liabilities, including all mine reclamation and asset retirement obligations with respect to the Trail Mountain Assets, the obligation to replace Trail Mountain's reclamation bonds and/or performance bonds related to the Trail Mountain Assets, and all environmental remediation obligations.

Q. Are there any contractual conditions precedent to the closing of the asset purchase agreements (APAs)?

A. Yes. The Preparation Plant APA, the Central Warehouse APA, and the Trail

Mountain APA are each contractually conditioned on obtaining all necessary regulatory approvals and closing of the Transaction on or before May 31, 2015.

Q. Please describe the Huntington CSA in more detail.

A. Under the Huntington CSA, Bowie agrees to supply all of the coal requirements for the Huntington power plant from the Transaction close date to December 31, 2029, according to certain quality specifications. In 2015, Bowie agrees to supply [redacted] tons of coal. For the remainder of the term, Bowie agrees to supply a minimum of [redacted] tons and a maximum of [redacted] tons per year. The price for coal supply is a fixed, delivered price, with capped [redacted]. Over the term of the Huntington CSA, the price per ton escalates in steps from [redacted] for the first [redacted] tons delivered in any contract year, with a reduction in price of [redacted] per ton for delivery in excess of [redacted] tons during each contract year.

The Huntington CSA is a "take or pay" agreement, meaning that PacifiCorp has the obligation to take or pay for a minimum of [redacted] tons of coal annually, subject to a "Legacy Contract" provision allowing for a reduction of the minimum take amount to account for existing third-party coal supplies through 2020.

All of the coal supplied must meet certain coal quality specifications, such as size and moisture, ash and sulfur content, as well as Btu content, and several of these specifications are subject to price penalties. The Huntington CSA permits the Company to maintain all existing third-party supplies for the plant through 2020.

The Huntington CSA is conditioned on obtaining all necessary regulatory approvals and closure of the transaction on or before May 31, 2015.

The terms of the Huntington CSA are favorable, and the delivered fuel prices are projected to be lower than the estimated operating costs for the Deer Creek Mine until depletion in 2019 and projected market pricing through 2029.

The Huntington CSA is attached to my testimony as Confidential Exhibit PAC/104.

Q. Does the Huntington CSA include protections for the Company and its customers with respect to existing or new environmental regulations?

A. Yes. The Huntington CSA contains a broad termination right in favor of the Company in the event existing or new environmental obligations adversely affect the Company's ability to burn coal at the Huntington power plant.

Q. Can you describe the Hunter CSA amendment?

A. Yes. In 1999, PacifiCorp and Canyon Fuels entered into a coal supply agreement for the Hunter power plant. That agreement is the primary supplier of coal to the Hunter power plant. The current term of the agreement extends through December 31, 2020. As noted above, Bowie acquired Arch's Utah mines in 2013 and took assignment of that agreement.

Coal for the Hunter power plant is supplemented by other coal supplies, including from the Deer Creek Mine, based on varying coal qualities and economic supply opportunities.

In connection with the execution of the Huntington CSA and the transfer of the Preparation Plant Assets, PacifiCorp and Bowie have agreed to amend the existing coal supply agreement for the Hunter power plant.

Currently, the Preparation Plant is operated by Energy West under an operating agreement with the Company, the owner of the assets. The Preparation Plant expense to blend incoming coal to meet the coal specification requirements for the Hunter power plant is charged to the plant's consumed fuel costs. Following the close of the Transaction, Bowie will acquire title to the Preparation Plant Assets, along with the obligation to undertake all required stockpiling and blending for the Hunter power plant coal specification requirements. As a result of the change in ownership and operation, the Hunter CSA amendment changes the point of delivery and duration at which coal quality is measured and annual coal nomination dates. There is no adjustment to the Bowie delivered coal pricing as a result of the Hunter CSA amendment.

The Hunter CSA amendment is attached to my testimony as Confidential Exhibit PAC/105.

REASONS FOR THE TRANSACTION

Q. Why did the Company decide to close the Deer Creek Mine and enter into the Transaction?

A. There are two primary reasons the Company is recommending closure of the Deer Creek Mine at this time. First, Energy West is facing increasing liabilities at the Deer Creek Mine related to mining costs and obligations, including health care, but most significantly, escalating pension obligations. Second, Energy West's coal reserves are scheduled to be depleted by 2019 and the Deer Creek Mine is faced with mining a lower quality and volume of reserves which impacts the mine's production costs going forward. At the same time, the coal market in Utah has changed, market supplies are more available, and the advantages of owning coal mining assets in Utah have lessened.

In connection with the Deer Creek Mine Closure, the Company was able to make advantageous sales of some of its remaining Mining Assets to Bowie. With the closure of the Deer Creek Mine, it is also necessary to replace the deteriorating coal supply; therefore, the Company executed the CSA with Bowie to replace the Deer Creek Mine coal currently being supplied to the Huntington power plant.

Q. The first reason you cited for the Company's decision to close the Deer Creek Mine is increasing mining costs and pension liabilities. Please explain.

A. The Deer Creek Mine is operated by Energy West. Energy West has a long-term labor relationship with the UMWA. Certain elements of labor costs have increased, especially pension liabilities. For the past several years, Energy West has been engaged in a labor dispute with the UMWA over costs and liability escalations, including the threat of collapse of the 1974 Pension Plan and the huge potential cost increases to Energy West.

Q. Did Energy West and the UMWA recently reach a settlement of their protracted labor dispute?

A. Yes. On October 31, 2014, Energy West and the UMWA reached an agreement to resolve all outstanding disputes. The settlement is comprised of several Memoranda of Understanding and a 2014 Wage Agreement.

Q. Did the labor settlement resolve the escalation of mining costs and pension liabilities at the Deer Creek Mine?

A. No, as addressed below, while the settlement addressed outstanding disputes, it does not contain the escalating mining costs in a manner that would allow continued mining at the Deer Creek mine, whether mined by Energy West or another party.

Q. Please explain the increase in health care costs for active employees.

A. Under the collective bargaining agreement with UMWA, Energy West is responsible for effectively 100 percent of the health care costs for active workers, with employees paying only a very minimal co-payment and with no premium cost sharing. As a result, in 2013, Energy West paid [redacted]/month versus [redacted]/month cost for other Company union workforce. In addition, with the implementation of new health care laws, the health care costs are potentially subject to an excise tax annually, starting in 2018. Energy West was unable to achieve any cost containment associated with health care for active workers in the recent labor settlement.

Q. Was Energy West able to negotiate some mitigation of its health care liability for retired employees under the recent labor settlement?

A. Yes. Energy West was successful in transferring its Retiree Medical Obligation associated with Energy West union participants to the UMWA. As a result of this settlement, Energy West is required to transfer $150 million from its plan's trust to the UMWA's trust in exchange for UMWA assuming the Retiree Medical Obligation. [redacted]. This effectively exempts Energy West from any further obligations associated with retiree medical benefits for the Energy West union employees and retirees and creates a benefit for customers in the form of reduced future expense. The accounting impacts associated with this transfer are addressed in the testimony of Mr. Stuver.

Q. Please explain Energy West's increasing pension liability.

A. Energy West contributes to the 1974 Pension Trust. Contributions to this pension plan are based on the terms of the National Collective Bargaining Agreement between the UMWA and the Bituminous Coal Operators' Association (BCOA). In multi-employer pension plans, assets are pooled such that contributions by one employer may be used to provide benefits to employees of other participating employers and plan assets cannot revert back to employers. If an employer ceases participation in the plan, the employer may be obligated to pay a withdrawal liability based on the participants' unfunded, vested benefits in the plan. If a mass withdrawal of participating employers occurs, the unfunded obligations of the plan may be borne by the remaining participating employers, including any employers that have withdrawn within the prior three years. Furthermore, to the extent a participating employer defaults on its obligation to the plan, the remaining employers may be allocated a share of the defaulting employer's obligation for unfunded vested benefits.

Under the terms of the 1974 Pension Trust, when mining operations cease, Energy West will be subject to a withdrawal liability. The testimony of Mr. Schwartz provides additional details regarding the 1974 Pension Trust and the potential liabilities under the Trust. In summary, Mr. Schwartz explains that the 1974 Pension Trust is seriously underfunded, a circumstance that is likely to get worse in the coming years given the risk of bankruptcies of other participants, and that Energy West's withdrawal liability is anticipated to increase substantially between now and 2019.

Q. How has Energy West responded to information about the underfunding levels of the 1974 Pension Trust and the risks of bankruptcy for other participants?

A. After learning of the serious underfunding in late 2010, Energy West requested information about its withdrawal liability from the trust administrators. The withdrawal liability was determined to be $85.9 million for the plan year ending June 30, 2010. Energy West has obtained its withdrawal liability amounts annually since then and the amount has grown to $125.6 million if a withdrawal occurred between June 30, 2013 and July 1, 2014, a 46.5 percent increase over four years, or an average of 11.63 percent annually. Given an average increase of 11.63 percent per year, together with the 1974 Pension Trust's seriously underfunded status and the third-party bankruptcy risk discussed in Mr. Schwartz's testimony, Energy West is very concerned about the potential size of the withdrawal liability if the mine is not closed until late 2019.

Q. How has Energy West addressed its growing liability under the 1974 Pension Trust?

A. Energy West has assessed its options to withdraw from the 1974 Pension Trust now and fund the resulting withdrawal obligation. The only options available to Energy West for withdrawal are cessation of contributions or declaration of bankruptcy. Cessation is triggered when there are no UMWA worker hours. Declaration of bankruptcy is not a feasible option. In either event, Energy West has two payment options when the liability arises, annual payments or a lump-sum payment of the obligation, which are described in greater detail in the testimony of Mr. Stuver.

Q. Why didn't Energy West withdraw from the 1974 Pension Trust before its proposal to do so now?

A. After the 1974 Pension Trust was classified as seriously endangered, the UMWA and the BCOA initiated national agreement negotiations. Because benefit and contribution levels are set through the national agreement negotiations between the UMWA and the BCOA, and early negotiations had been initiated, Energy West expected that pension liability issues would be addressed in the new agreement.

At that time, the quality and volume of coal from the Deer Creek Mine had not yet begun its decline. In addition, the Company was in protracted negotiations with Arch over coal supply to the Hunter power plant, including litigation that had been filed for an anticipatory breach of the contract. The advantages to the Company of maintaining its captive coal supply from the Deer Creek Mine, including stable supply at reasonable costs, reduced exposure to market prices and leverage in negotiating other coal contracts, had not begun to materially diminish.

By mid-2011, the Company had settled its coal supply negotiations with Arch. The UMWA and BCOA entered into a new national agreement with an effective date of July 1, 2011, but it did not address the pension issues. In response, the Company began analyzing its options, ultimately resulting in a multi-pronged strategy, which included, among other things, pursuit of a mine sale and a labor strategy for UMWA and Energy West contract negotiations, to allow Energy West to withdraw from the 1974 Pension Trust.

Q. Please describe how the Company explored a sale of the Deer Creek Mine.

A. Before deciding to close the Deer Creek Mine, the Company reviewed its opportunities to exit its coal mining operations at Deer Creek through a sale. The Company reached out to several parties beginning in 2012. After assessing expressions of interest from some parties, the Company determined that pursuing such options would not be in the best interest of its customers. All parties that expressed interest required Energy West to retain retiree medical liabilities, as well as retain or backstop the pension liability; therefore, these proposed sale options would not achieve the Company's goal of capping the liabilities. None of the sales options were viable and cost-effective for customers.

Q. Did Energy West discuss its decision regarding mine closure with the union?

A. Yes. Through the labor dispute process, Energy West conveyed to the union on numerous occasions, both in writing and in person, that the Company was pursuing all options available, including sale or closure of the Deer Creek Mine and contracting out of the Preparation Plant. Energy West engaged in full collective bargaining over these issues.

Q. Does the settlement with the union allow Energy West to withdraw from the 1974 Pension Trust?

A. Yes, but only if the mine is sold or closed.

Q. Has the Company been able to sell the mine?

A. No, not on terms that are economic for customers.

Q. The Deer Creek Mine was scheduled for closure in 2019. Did the Company consider having Energy West continue to operate the mine until the scheduled closure?

A. Yes, as outlined below, the Company compared closure of the mine to keeping the mine operating through its reserve depletion in 2019. The Company's economic analysis demonstrates that closure is more cost-effective for customers.

Q. The second reason you provided in support of the Deer Creek Mine Closure related to lower quality and volume of reserves. Why are quality and production decreasing at the Deer Creek Mine?

A. As Energy West's development advanced within the Northern Mill Fork lease, it has encountered significant volumes of high ash and high sulfur coal in several of the planned panels. Additionally, Energy West pursued coal lease expansions through a lease modification process, but drilling programs have now highlighted coal quality concerns with elevated ash.

Q. How has Energy West responded to mining of high ash and or sulfur content coal?

A. During periods of high ash and or sulfur coal production, the longwall system has to be operated daily on a single ten-hour shift instead of two 10-hour shifts. The mine's annual production is therefore reduced significantly during these periods and this results in increased overall production costs.

Q. Why is the Deer Creek longwall system limited to a single shift daily during the high ash and sulfur production periods?

A. Deer Creek's coal is consumed by the Hunter and Huntington power plants. Both plants share a maximum ash target of <15 percent. Accordingly, high ash coal requires processing or transporting to be usable in the Company's coal-fueled plants. All of Deer Creek's production is initially delivered to the Huntington power plant via an overland conveyor. Once delivered to the Huntington power plant stockpile, Deer

Creek coal can either be diverted to the Carbon power plant, the Hunter power plant or the Preparation Plant via two truck loadouts or remain at the Huntington power plant. The Huntington power plant can typically transfer, on average, 7,000 tons of Deer Creek coal a day between the two loadouts. With Deer Creek's ash content approaching 20 percent, on average, during several months, the majority of the coal will need to be transferred to either the Hunter power plant or the Preparation Plant and subsequently blended with lower ash coals to meet plant quality specifications.

Q. How much coal is produced by the Deer Creek longwall in a single shift?

A. The longwall system will typically produce 8,500 tons per shift per day. Operating the longwall system more than one shift per day during periods of elevated ash will exceed the physical transfer capability of the truck loadouts and will quickly cause the Huntington stockpile to reach capacity and force the mine to be idled.

Q. Can Deer Creek avoid mining these high sulfur and ash areas?

A. Not without significantly impacting Deer Creek's production volumes and costs. As discussed later in my testimony, the Company considered the costs of Energy West continuing to operate the Deer Creek Mine in assessing the benefits of Closure.

Q. How does the closure of the Deer Creek Mine relate to sale of the Mining Assets included in the Transaction?

A. Many of the changing economic conditions affecting the Deer Creek Mine also affect the Company's other owned coal-supply assets in Utah. In addition, the closure of the mine made the sale of the Mining Assets logical from a business standpoint. As such, the Company negotiated for the sale of the Mining Assets as part of the Transaction.

Q. Specifically, why are the Mining Assets included in the Transaction?

A. First, once the Deer Creek Mine is closed and the CSA goes into effect, the burden of stockpiling and blending at current levels to achieve compatible coal blends for the plants is shifted almost entirely to Bowie. Accordingly, the Company no longer needs the Preparation Plant and the Central Warehouse to ensure fuel supply to its plants. Second, with respect to the Trail Mountain Mine, the new and existing CSAs provide the Hunter and Huntington power plants with an appropriate volume and quality coal supply at a reasonable cost. Given the competitive third-party supply option, and for all of the reasons stated above, there is no longer any reason to maintain these coal-related assets.

Q. The final component of the Transaction relates to the CSAs for the Hunter and Huntington power plants. Why are the CSAs included in the proposed Transaction?

A. The Hunter and Huntington power plants have a useful life beyond the date of the expected closure of the Deer Creek Mine. The CSAs are necessary to assure that a long-term coal supply is available to fuel the Hunter and Huntington power plants throughout their useful lives. In addition, current conditions in the coal market indicate that this is a favorable time to secure a long-term supply. Mr. Schwartz provides additional analysis of this issue in his testimony.

Q. Can you briefly explain how the Company currently recovers fuel costs for the Hunter and Huntington power plants in Oregon rates?

A. Yes. The Company recovers the costs to fuel the Hunter and Huntington power plants in the Transition Adjustment Mechanism (TAM).

Q. How does the Company propose to reflect fuel costs for these plants in rates after the Deer Creek Mine closes?

A. After the Deer Creek closure and sale of the Mining Assets, the Company will incur costs to fuel these plants through the Hunter and Huntington CSAs. Until such time that base net power costs are reset in the 2016 TAM, the Company proposes to recover the net power costs associated with the CSAs and other replacement fuel supply costs in 2015 through the Deer Creek Mine Closure tariff with an offset for the amounts currently reflected in rates.

Q. How will the Company compute this differential?

A. To determine the amount of the incremental fueling cost differential, the Company proposes to multiply the total forecast MMBtu (consumed) reflected in base net power costs per the 2015 TAM for the two plants times the difference between the weighted-average cost per MMBtu (consumed) included in the base net power costs per the 2015 TAM for the Huntington and Hunter power plants and the actual weighted-average cost per MMBtu (consumed) during the deferral period. The actual weighted-average cost per MMBtu in 2015 will be determined based on the methodology used to set current rates.

ANALYSIS OF BENEFITS OF TRANSACTION

Q. Can you summarize the major benefits of the proposed Transaction?

A. Yes. The early closure of the Deer Creek Mine is a prudent decision that will limit the Company's liability under the 1974 Pension Trust versus a much higher estimated liability if the mine remained open until 2019. Moreover, closing the mine now avoids other increasing labor costs, such as health care costs that are disproportionately high to the rest of the union labor force at the Company. Further, the CSAs are beneficial to customers compared to the ongoing costs of operating the mine, especially in light of the declining quality of the reserves in the mine, which requires single-shift mining, stockpiling and blending of high ash/sulfur Deer Creek production. Sale of the Mining Assets maximizes their value for customers and effectuates the shifting of the costs of inventory and blending to Bowie.

Q. Briefly explain why the Company believes it is in the customers' best interest to close the Deer Creek Mine, sell the Mining Assets and enter into the CSAs.

A. The Company's financial analysis indicates it is a lower cost option to purchase coal supplies for the Huntington and Hunter power plants pursuant to the CSAs than to continue to invest in and operate and maintain the Deer Creek Mine and other Mining Assets.

Q. Will there be a gain or profit on the Closure or sale components of the Transaction?

A. No. The closure of the Deer Creek Mine will result in an undepreciated asset due to the shortened life of the mine. The sale of the Preparation Plant, the Central Warehouse and the Trail Mountain Mine assets also result in a loss compared to book value (although this will be more than offset over time by the avoided cost benefits that will stem from the elimination of the Preparation Plant operating costs). In addition, the Company has incurred and will incur a variety of costs to effectuate the Closure and the Transaction. Mr. Stuver identifies these costs and discusses the accounting effects of the Transaction in his testimony.

Q. Please summarize the revenue requirement impacts of the Transaction.

A. The Company's analysis clearly demonstrates a substantial level of benefits to be received by customers from the proposed Closure and Transaction. The net present value of the revenue requirement associated with the Closure and Transaction is lower than the net present value of the revenue requirement associated with continuing to operate the Deer Creek Mine and other Mining Assets and not entering into the CSAs. In addition, the Closure and Transaction provides greater certainty of benefits to customers since keeping the Deer Creek Mine open exposes customers to significant risks of additional cost increases in the future, particularly due to mitigating additional exposures associated with the 1974 Pension Trust withdrawal. As a result, the proposed Closure and Transaction are prudent and in the public interest.

Q. Please describe the studies prepared to analyze the financial impacts of the Transaction.

A. The Company analyzed three specific cases: (1) keep the Deer Creek Mine open and continue to operate it until reserve depletion in 2019; retain all coal-related assets and do not enter into long-term coal supply agreements until Deer Creek's depletion (the Keep Case), (2) close the Deer Creek Mine now; sell the Mining Assets and enter into the CSAs now (the Transaction Case), and (3) close the Deer Creek Mine now and replace the supply with market purchases (the Market Case).

Three present value revenue requirement differential scenarios were developed: (1) the Keep Case vs the Transaction Case, (2) the Keep Case vs the Market Case, and (3) the Market Case vs the Transaction Case. This analysis compares the net present value of the revenue requirement through 2029 (the term of the Huntington CSA being entered into with Bowie).

Q. Please describe the components of the Keep, Transaction and Market Cases.

A. The Company meets the requirements of its Utah coal plants through a portfolio of supplies. The Deer Creek Mine supply, while primarily supplying the Huntington power plant, is also taken to the Company's Hunter power plant and the Preparation Plant. Additionally, the Company takes supply from its third- party contracts to all of its Utah plants and therefore no specific contract is currently dedicated to a specific plant. This is necessary to achieve an optimal coal blend at each plant. As such, the Cases have been prepared on a total Utah coal fueling basis. Within the three Cases, the Company has open coal supply positions that are assumed to be filled based on market-based pricing information. The timing and volumes of these open positions differ between the Cases due to the Transaction Case's inclusion of the Huntington CSA for the Huntington power plant and the differing Deer Creek Mine closure dates in the Keep and Market Cases. All three Cases involve a closure of the Deer Creek Mine and a triggering of a withdrawal liability from the 1974 Pension Trust, just at different times: two in 2015 and the other in 2019.

Q. Please describe the major assumptions used to prepare the various scenarios.

A. All three Cases assume a triggering of the UMWA pension withdrawal obligation and annual annuity payments for the unfunded liability from the time of withdrawal. Each case also assumes the annuity payments are in revenue requirement calculations through the analysis period with a calculation of the present value of installment payments in perpetuity in the final year of the analysis. The withdrawal liability annual payments are based on the alternative Seriously Endangered FIP contribution schedule. More information for the calculation of this liability is included in Mr. Schwartz's testimony. The Keep Case assumes health care costs for the UMWA workers at the current health plan costs plus eight percent (8%) cost escalation levels.

The Transaction and Market Cases assume the Company receives full recovery for the unrecovered investment in the Deer Creek Mine assets (property, plant and equipment).[4] For the Keep Case, there is no unrecovered investment for Deer Creek assets (property, plant and equipment) as they are fully depreciated at the time of mine closure.

The Transaction Case reflects the transfer of the Retiree Medical Obligation to the UMWA demonstrating a benefit to customers as compared to the Keep and Market Cases [redacted]. The Transaction Case also reflects recovery for the relatively minor estimated settlement loss.

All three Cases assume that the Company fully recovers all mine closure costs and assume that replacement coal for any open coal position for the Huntington and Hunter power plants is purchased from the market based on market pricing forecasts from Energy Ventures Analysis (EVA).

A listing of major assumptions for each Case is shown in Confidential Exhibit PAC/106. Assumptions used in the development of the market price forecasts are also shown in Confidential Exhibit PAC/106.

[4] The Company prepared one analysis for all jurisdictions using the same assumptions about regulatory treatment of the Transaction.

Q. Are there any other important considerations when evaluating the results of the Keep Case?

A. Yes. The Company's analysis has not incorporated all the significant cost exposures and uncertainties related to continued ownership and operation of the Deer Creek Mine and Mining Assets. These potential exposures include items such as additional reclamation costs, increased Mine, Safety and Health Administration (MSHA) regulations or geologic impacts which could be determined through the mine's continued development of panels and exploration drilling, such as rock spars, faults etc. Although the EVA market price forecasts are based on a one percent sulfur content level, the Company has not incorporated additional plant scrubbing costs in its analysis in-conjunction with the EVA market pricing used for supply post the Deer Creek 2019 closure in the Keep Case. Finally, as described in greater detail in the testimony of Mr. Schwartz, the withdrawal liability associated with the 1974 Pension Trust could be far greater than the amount assumed in the studies, particularly if there are any coal operator bankruptcies affecting participating employers. As such, the Keep Case is conservative for comparison purposes.

Q. Does the analysis clearly demonstrate that customers are better off under the Transaction Case?

A. Yes. The Transaction Case clearly shows a substantial level of revenue requirement reductions for customers if the Deer Creek Mine is closed early, the 1974 Pension Trust withdrawal is concurrently triggered, the Retiree Medical Obligations transferred, Mining Assets are sold to Bowie and the Company enters into the CSAs relative to the Keep Case. In addition, the sale of the Mining Assets and mine's early closure provide greater certainty of benefits to customers, since keeping the resources exposes customers to significant risks of additional cost increases in the future. Based on the Company's analysis, it is apparent that the proposed Closure and Transaction is prudent and in the public interest.

Q. Please summarize the results of the Company's three scenarios.

A. Provided in Confidential Exhibit PAC/106, is a summary of the results of the Company's: (1) Keep Case vs Transaction Case, (2) Market Case vs Transaction Case, and (3) Keep Case vs Market Case. The Company's analysis shows that customers are better off in the Transaction Case with between [redacted] in net present value revenue requirement reductions compared to the Keep or Market Cases. The Company's Keep Case vs Market Case only produces [redacted] in revenue requirement reduction benefit, therefore demonstrating even further that the Transaction Case is in the best interest of customers.

Q. Please summarize your testimony.

A. An early closure of the Deer Creek Mine, the resulting 1974 Pension Trust withdrawal, the transfer of the Retiree Medical Obligation to the union, the sale of the Mining Assets and the CSAs with Bowie provide significant benefits to customers while eliminating both operating and financial risks relative to the continued operations of the Deer Creek Mine until its depletion in 2019. For the reasons stated in my testimony, I request the Commission approve the Company's Application.

Q. Does this conclude your direct testimony?

A. Yes, it does.

CONFIDENTIAL UNDER 860-007-0010
Docket No. UM ____
Exhibit PAC/101
Witness: Cindy A. Crane

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

PACIFICORP

CONFIDENTIAL
Exhibit Accompanying Direct Testimony of Cindy A. Crane

Asset Purchase and Sale Agreement (Preparation Plant) between PacifiCorp and Bowie Resource Partners, December 12, 2014

December 2014

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CONFIDENTIAL UNDER 860-007-0010
Docket No. UM ____
Exhibit PAC/102
Witness: Cindy A. Crane

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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CONFIDENTIAL
Exhibit Accompanying Direct Testimony of Cindy A. Crane

Asset Purchase and Sale Agreement (Central Warehouse) between PacifiCorp and Bowie Resource Partners, December 12, 2014

December 2014

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Docket No. UM ____
Exhibit PAC/103
Witness: Cindy A. Crane

BEFORE THE PUBLIC UTILITY COMMISSION

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Exhibit Accompanying Direct Testimony of Cindy A. Crane

Asset Purchase and Sale Agreement (Trail Mountain Mine) between PacifiCorp and Bowie Resource Partners, December 12, 2014

December 2014

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Docket No. UM ____
Exhibit PAC/104
Witness: Cindy A. Crane

BEFORE THE PUBLIC UTILITY COMMISSION

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Exhibit Accompanying Direct Testimony of Cindy A. Crane

Coal Supply Agreement for the Huntington Power Plant between Bowie Resource Partners and PacifiCorp

December 2014

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CONFIDENTIAL UNDER 860-007-0010
Docket No. UM ____
Exhibit PAC/105
Witness: Cindy A. Crane

BEFORE THE PUBLIC UTILITY COMMISSION

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Exhibit Accompanying Direct Testimony of Cindy A. Crane

Amended Coal Supply Agreement for the Hunter Power Plant

December 2014

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Docket No. UM ____
Exhibit PAC/106
Witness: Cindy A. Crane

BEFORE THE PUBLIC UTILITY COMMISSION

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Exhibit Accompanying Direct Testimony of Cindy A. Crane

List of Major Assumptions

December 2014

List of major assumptions used in the development of the three cases.

000's	YE 2029
Present Value Revenue Requirement	
Keep Case	[redacted]
Transaction Case	[redacted]
Transaction Case - Increase (Decrease)	[redacted]

000's	YE 2029
Present Value Revenue Requirement	
Market Case	[redacted]
Transaction Case	[redacted]
Transaction Case - Increase (Decrease)	[redacted]

000's	YE 2029
Present Value Revenue Requirement	
Keep Case	[redacted]
Market Case	[redacted]
Market Case - Increase (Decrease)	[redacted]

Major Assumptions

All Cases

[redacted]

Keep Case

Deer Creek coal production terminates in 2019

[redacted]

Transaction Case

Deer Creek coal production terminates in 2014

[redacted]

Market Case

Deer Creek coal production terminates in 2014

[redacted]

REDACTED
Docket No. UM ____
Exhibit PAC/200
Witness: Douglas K. Stuver

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

PACIFICORP

Redacted Direct Testimony of Douglas K. Stuver

December 2014

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ATTACHED EXHIBIT

INTRODUCTION

Q. Please state your name, business address, and present position with PacifiCorp dba Pacific Power (PacifiCorp or the Company).

A. My name is Douglas K. Stuver and my business address is 825 NE Multnomah Street, Suite 1900, Portland, Oregon 97232. My present position is Senior Vice President and Chief Financial Officer.

QUALIFICATIONS

Q. Briefly describe your education and professional experience.

A. I have a Bachelor of Arts degree in business administration from the University of Pittsburgh and am a Certified Public Accountant licensed in Pennsylvania. I worked for Ernst & Young for eight years in auditing and have since worked for Enserch Energy Services, CNG Energy Services, and Duke Energy Corporation in various accounting and risk management capacities. I joined PacifiCorp in 2004 as the controller for the commercial and trading division and moved into my current role as Senior Vice President and Chief Financial Officer in March 2008.

Q. What are your responsibilities as Senior Vice President and Chief Financial Officer?

A. My primary responsibilities include the accounting, treasury, tax, financial planning and analysis, external financial reporting, commodity risk management, and internal audit functions for PacifiCorp.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. My testimony addresses the Company's proposed regulatory and accounting treatment for the closure of the Deer Creek Mine (Closure) and related matters. The Closure includes the withdrawal from the United Mine Workers of America (UMWA) 1974 Pension Trust, the sale of certain mining assets, and the execution of two coal supply agreements (CSAs) with Bowie Resource Partners, LLC (Bowie). Energy West Mining Company (Energy West), a wholly owned subsidiary of PacifiCorp, has also settled its retiree medical obligation (Retiree Medical Obligation) related to Energy West union participants. Together, the components of the Closure and settlement of the Retiree Medical Obligation constitute the Deer Creek Mine transaction (Transaction).

OVERVIEW

Q. Please describe the Transaction.

A. The Company proposes to close the Deer Creek Mine in Emery County, Utah in 2015. The Closure will include withdrawal from the 1974 Pension Trust and transfer of the Retiree Medical Obligation associated with Energy West union participants to the UMWA. The Company has also entered into asset purchase and sale agreements with Bowie for certain mining assets, which consist of the coal preparation plant and related assets located in Emery County, Utah (Preparation Plant); the central warehouse facility and related assets located in Emery County, Utah (Central Warehouse); and the Trail Mountain Mine and related assets located in Emery County, Utah (Trail Mountain Mine) (collectively the Mining Assets).[1] The Company executed two CSAs with Bowie for continued fuel supply to its Hunter and Huntington power plants.

[1] The Transaction also includes the sale of the assets of Fossil Rock Fuels LLC (Fossil Rock), a wholly owned subsidiary of the Company. These assets are not in Oregon rates, so the Oregon application does not address this aspect of the Transaction.

Q. Why is the Company proposing to close the Deer Creek Mine in 2015 and sell the Mining Assets?

A. Early closure of the Deer Creek Mine, including withdrawal from the 1974 Pension Trust, transfer of the Retiree Medical Obligation, sale of the Mining Assets, and execution of the CSAs will provide significant present value benefits to customers, as outlined in Ms. Cindy A. Crane's testimony.

Q. What are the estimated costs associated with the Transaction?

A. Estimated costs associated with the Transaction, including estimated unrecovered investment in the Deer Creek assets and the Mining Assets are as follows (in millions, on a total-company basis):

Unrecovered Investment in Deer Creek Assets	$86
Loss on Sale of Mining Assets	[redacted]
Closure Costs	[redacted]
Retiree Medical Settlement Loss	[redacted]
1974 Pension Trust Withdrawal	[redacted]
Estimated Total	[redacted]

Q. Please provide an overview of the Company's proposed regulatory and accounting treatment for the costs associated with the Transaction.

A. First, the Company proposes to recover the direct costs of mine closure through its proposed Deer Creek Mine Closure tariff. The tariff is designed to recover the Company's estimated mine closure costs in 2015 and 2016, which will be trued-up to actual costs once closure is complete in 2016.

Second, the Company is seeking an accounting order authorizing the Company to transfer the remaining plant balance for the Deer Creek Mine from electric plant in service, establish a regulatory asset, and accelerate recovery of the asset through the Deer Creek Mine Closure tariff, with an offset for Deer Creek costs now in rates, so the Company's unrecovered investment in the mine is fully amortized before mine closure is completed in 2016.

Third, the Company seeks an accounting order authorizing the Company to establish a regulatory asset for the 1974 Pension Trust withdrawal liability. The 2015 TAM currently reflects a $3 million total-company pension contribution, which would continue as the annual payment of the withdrawal liability. Thus, an accounting order would allow PacifiCorp to reflect the change in its participation in the Trust without any change in rates.

In addition, the Company seeks an accounting order for the loss associated with the settlement of the Energy West's Retiree Medical Obligation of approximately [redacted] on a total-company basis. The Company requests that the Commission separately address the final ratemaking treatment of this regulatory asset in a future ratemaking proceeding.

Fourth, the Company proposes to add the loss on the sale of the Mining Assets to the Deer Creek Mine Closure tariff, with an offset for costs now in rates for the Mining Assets, for immediate amortization.

Fifth, the Company seeks an accounting order reflecting the costs associated with the CSAs in 2015 to the regulatory asset for unrecovered investment in the mine. The Company also seeks approval to (1) recover through the Deer Creek Mine Closure tariff the costs of the CSAs and other replacement fuel supply until such time that base net power costs are reset in the 2016 TAM and (2) include the CSAs in the 2016 TAM.

Q. Have you calculated the approximate amount of the requested regulatory assets associated with the Transaction?

A. Yes. As presented in Confidential Exhibit PAC/201, the Company has projected the impacts of the Closure, Mining Assets sale, 1974 Pension Trust withdrawal, and settlement of the Retiree Medical Obligation. These projections are based upon closure activities commencing after the filing of the application and the completion of the Mining Assets sale and 1974 Pension Trust withdrawal by May 2015. These projections also assume Energy West continues longwall mining through December 2014.

The projected regulatory asset associated with the Mining Assets sale and Closure, including unrecovered investment, the settlement loss resulting from the transfer of the Retiree Medical Obligation, and closure costs is approximately [redacted] on a total-company basis. Although the Company will recognize most of these costs in 2014, certain costs will be recognized in 2015 and early 2016. Separately, a regulatory asset and a withdrawal liability of approximately [redacted] are estimated for the 1974 Pension Trust withdrawal.

CLOSURE OF DEER CREEK MINE

Q. What is the current ratemaking and accounting treatment associated with the Deer Creek Mine?

A. Based upon the Company's 2013 depreciation study, the costs associated with the Deer Creek Mine, including recovery of and return on the assets, are currently reflected in rates through 2019. Depreciation and operating costs are captured in the

Company's base net power costs. The projected net book value of the Deer Creek Mine at December 31, 2014, is $86 million on a total-company basis.

Q. What are the accounting implications and proposed ratemaking treatment of the closure of the Deer Creek Mine?

A. The Company will be required to remove the net book value of the Deer Creek Mine from property, plant and equipment under generally accepted accounting principles (GAAP). For purposes of accounting under both GAAP and ultimately the Federal Energy Regulatory Commission's Uniform System of Accounts, the Company proposes to reclassify the net book value of the Deer Creek Mine from property, plant and equipment to a regulatory asset. Although under GAAP depreciation of the mine would then cease, the Company will elect to continue depreciation until coal production actually stops, reflecting the Company's actual mining operations.

The Company proposes to amortize the balance of the regulatory asset through the Deer Creek Mine Closure tariff, with an offset for Deer Creek costs now in rates, so the unrecovered investment in the mine is fully recovered before mine closure is completed in 2016. More information on the estimated accounting impacts of the Closure of Deer Creek is provided in Confidential Exhibit PAC/201.

DEER CREEK CLOSURE COSTS

Q. Please describe the nature of the closure costs.

A. In conjunction with cessation of the Deer Creek Mine operations, the Company will incur certain closure costs. These include costs to remove everything from within the mine workings, install bulkheads in the coal seams, and seal the mine portals; supplemental unemployment and medical benefits required under the terms of the labor agreement; severance benefits to be provided to non-union employees; and certain royalties. The royalties include those that could potentially be imposed by the Bureau of Land Management as a result of not mining the previously planned coal reserve areas. PacifiCorp's current estimate for closure costs is $[redacted] on a total-company basis, starting at the time Deer Creek begins closure work with certain costs continuing into early 2016.

Q. What is the Company's proposed regulatory and accounting treatment for Deer Creek's closure costs?

A. The Company proposes to recover these costs through the Deer Creek Mine Closure tariff in 2015, subject to true-up once closure is complete in 2016. Further information regarding the estimated accounting impacts of the Closure of Deer Creek is provided in Confidential Exhibit PAC/201.

MINING ASSET SALES

Q. What is the current ratemaking and accounting treatment associated with Mining Assets?

A. The Preparation Plant is used to stockpile and blend coal for the Hunter Power Plant. The total-company net-book value of the Preparation Plant is projected to be $20 million at December 31, 2014. Under the 2013 depreciation study, depreciation and operating costs associated with the Preparation Plant are currently included in rates, including a return of and on the investment, based on a 2042 terminal life. The depreciation and operating costs for this asset are included in the Company's net power costs.

The Central Warehouse stores materials and supplies inventory for the Preparation Plant and the Deer Creek Mine. The total company net book value of the Central Warehouse is projected to be $0.3 million at December 31, 2014. Under the 2013 depreciation study, recovery of and return on the Central Warehouse are currently reflected in rates based on a 2019 terminal life.

The Trail Mountain Mine assets to be sold are comprised substantially of a substation. The total company net book value associated with these assets is projected to be $0.7 million at December 31, 2014 and is primarily situs assigned to Utah. Recovery of and return on these assets is currently reflected in rates.

Q. What is the Company's proposed regulatory and accounting treatment associated with the sales of the Mining Assets?

A. The Preparation Plant will be sold in exchange for a [redacted]. No monetary consideration will be paid for the Trail Mountain Mine and Central Warehouse. As a result, the estimated loss on sale of these assets is projected to be approximately [redacted] on a total-company basis. The Company proposes to add the loss on the sale of the Mining Assets to the Deer Creek Mine Closure tariff, less an offset for costs now in rates for the Mining Assets, for immediate amortization.

Further information regarding the estimated accounting impacts of the sales of the Mining Assets is provided in Confidential Exhibit PAC/201.

1974 PENSION TRUST

Q. What is the current ratemaking and accounting treatment associated with the 1974 Pension?

A. Energy West currently contributes $5.50 per union hour worked to the 1974 Pension Trust. The contributions are included in Energy West's operating costs, which are charged to the Company's fuel expense. Annually, these contributions aggregate to approximately $3 million on a total-company basis and are currently included as a part of fuel costs in the TAM.

Q. What is the estimated amount of the 1974 Pension Trust withdrawal liability?

A. Energy West has the option to make either a lump-sum payment to satisfy its withdrawal obligation or to make annual installment payments. Energy West intends to negotiate with the 1974 Pension Trust at the time of withdrawal to elect the most economical choice—annual or lump sum. As of July 1, 2014, the withdrawal liability for Energy West (if Energy West withdrew before that date) was estimated to be $125.6 million. Annual payments are determined based upon the average hours worked and highest contribution rate over the preceding 10 plan years.

Q. What are the accounting implications associated with Energy West's anticipated withdrawal from the 1974 Pension Trust?

A. Under the installment method, GAAP requires that these types of losses be recorded at their present value using a risk-free rate. A 30-year treasury rate will be used to discount the future payments. On November 4, 2014, the 30-year treasury rate projected for November 30, 2014, was 3.0848 percent, which results in an approximate [redacted] net present value. This liability, which is lower than the

$125.6 million liability, is the amount the Company would be required to record on its books.

Q. What is the Company's proposed regulatory treatment associated with anticipated withdrawal from the 1974 Pension Trust?

A. To cover the Company's annual withdrawal payments, the Company proposes continuation of the on-going estimated $3.0 million annual payment already reflected in rates. The Company would record a regulatory asset for the estimated [redacted] accounting loss associated with the withdrawal liability. Neither the regulatory asset nor the withdrawal liability would adjust over time since the $3 million would not contribute towards a reduction in principal. At some future date, when the plan terminates or the accrual of future benefits is frozen, this liability and associated regulatory asset could be finally quantified and amortized.

Alternatively, if the Company is successful in negotiating a one-time pre-payment of the annual installments that is more economical to customers, the Company would propose to recover the associated loss at that time.

Further information regarding the estimated accounting impacts of the 1974 Pension Trust withdrawal is provided in Confidential Exhibit PAC/201.

RETIREE MEDICAL OBLIGATION

Q. What is the current ratemaking and accounting treatment associated with the Retiree Medical Obligation?

A. The Company's Energy West employees earn benefits under the retiree medical plan. The Company accounts for its Retiree Medical Obligation under Accounting Standards Codification Section 715-60, formerly known as FAS 106 (FAS 106). The

Company recovers its costs associated with the plan through inclusion of FAS 106 expense in its general rate case filings, with the portion attributable to Energy West participants included in fuel costs.

Q. What is the proposed regulatory and accounting treatment associated with the proposed settlement of the Retiree Medical Obligation?

A. Energy West successfully settled the Retiree Medical Obligation by transferring assets to the UMWA [redacted]. This difference of [redacted] serves to reduce existing unrecognized actuarial losses currently reflected in the Company's regulatory assets that would otherwise have been amortized to FAS 106 expense in the future and thus represents a significant benefit to customers. Settlement accounting under GAAP requires that the Company accelerate recognition of a portion of the remaining unrecognized actuarial losses. The resulting estimated settlement loss of [redacted] represents accelerated recognition of actuarial losses that would also have been amortized to FAS 106 expense without the settlement. For this reason, the Company proposes to record a regulatory asset for the settlement loss for future recovery in rates. Because the Retiree Medical Obligation for the Energy West union participants is a component of the Company's overall retiree medical plan, the Company proposes that, once reflected in rates, the settlement loss be amortized as part of the Company's on-going retiree medical plan costs.

INCOME TAX CONSIDERATIONS

Q. What are the income tax implications of the Transaction?

A. The Company proposes that the regulatory asset for deferred income taxes related to the Deer Creek Mine be recharacterized and included in the regulatory asset for Closure costs. The income tax benefits associated with the Transaction will be passed onto customers through a reduction to rate base by the accumulated deferred income tax liability associated with the regulatory asset and a reduction in cost of service as the regulatory asset is amortized and the associated timing difference reverses.

Q. Does this conclude your direct testimony?

A. Yes.

REDACTED
Docket No. UM ____
Exhibit PAC/201
Witness: Douglas K. Stuver

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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Exhibit Accompanying Direct Testimony of Douglas K. Stuver

Estimated Accounting Impacts

December 2014

(All amounts are estimates)
($ in millions)

	Projected Balances	Adjustments 2014-2016: Reclassify NBV PP&E to Reg. Asset	Closure Costs	UMWA 1974 Pension Trust	Retiree Medical Settlement	Sell Assets in 2015	As Adjusted Balances	Total Unrecovered Investment	Total Closure Costs	1974 Pension Trust	Retiree Medical Settlement Loss	**Total Regulatory Asset**	Regulatory Asset, excl. 1974 Pension Trust
PP&E, incl. CWIP and PS&I:	[redacted]												
Deer Creek plant in-service													
Deer Creek CWIP & PS&I													
Mining Assets in-service (to be sold)													
Materials & supplies inventory													
Regulatory asset for retiree medical (isolated)													
Regulatory asset related to income taxes													
ARO asset and regulatory difference													
Newly established regulatory assets:													
Unrecovered investment													
Loss on assets sold													
Closure costs:													
Union supplemental unemployment & medical													
Nonunion severance													
Royalties													
Inventory write-off													
Unrecovered reclamation (ARO) costs													
Income tax regulatory asset													
Miscellaneous, incl. on-going labor													
UMWA 1974 Pension Trust withdrawal													
Retiree Medical Settlement													
Working capital and tax balances													
Newly established liabilities:													
Accrued closure costs													
Royalty obligations													
UMWA 1974 Pension Trust withdrawal liability													
Total													
Rate base:													
PP&E													
Unrecovered investment													
Loss on assets sold													
Closure costs													
UMWA 1974 Pension Trust withdrawal													
Amounts collected for ARO													
Working capital													
Royalty obligations													
UMWA 1974 Pension Trust withdrawal liability													
ADIT													

Note - excludes deferrals associated with replacement fuel supply.

REDACTED
Docket No. UM ____
Exhibit PAC/300
Witness: Seth Schwartz

BEFORE THE PUBLIC UTILITY COMMISSION

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Redacted Direct Testimony of Seth Schwartz

December 2014

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INTRODUCTION

Q. Please state your name, business address and present position.

A. My name is Seth Schwartz. My business address is 1901 North Moore Street, Suite 1200, Arlington, Virginia 22209. My position is President, Energy Ventures Analysis, Inc.

Q. Please state your relationship with PacifiCorp d/b/a Pacific Power (PacifiCorp or Company).

A. I am an independent expert who has been retained as a consultant by the Company regarding the proposed closure of the Deer Creek mine, including withdrawal from the 1974 Pension Trust and the contract for replacement coal supply.

QUALIFICATION

Q. Briefly describe your professional experience.

A. I have been a principal of Energy Ventures Analysis (EVA) since its founding in 1981. EVA performs market analysis and management consulting for the U.S. energy markets. We cover markets for coal, natural gas, oil and electric power. Our clients are participants in the energy market, including producers, consumers, transporters, investors and regulators. In addition to my corporate responsibilities, I manage our coal consulting practice, including market studies, publications and management consulting. Our market studies include analyses of coal supply, demand and prices. Our consulting projects include management audits of fuel procurement practices by electric power companies, both regulated and unregulated. Our management audits have included projects for regulatory agencies, interveners, and company management. I have testified as an expert witness on coal markets and coal procurement practices in front of numerous state public utility commissions as well as the Federal Energy Regulatory Commission (FERC). My current resume is attached at Exhibit PPL/301.

Q. Have you previously testified regarding the coal mining operations and coal procurement practices of PacifiCorp?

A. Yes. I directed a study of the coal supply operations and fuel procurement practices of PacifiCorp following the merger of Utah Power & Light and Pacific Power & Light in 1991 on behalf of the seven state public service commissions and FERC as well as an update which was performed in 1995. This was a comprehensive study of the management of the mining operations and coal supply plan to all of PacifiCorp's coal-fired power stations. I have also testified on behalf of the Utah Office of Consumers Services in Docket No. 10-035-124 in 2011.

Q. Do you have previous experience with the issues related to the multi-employers pension plan and the National Bituminous Coal Wage Agreement (NBCWA)?

A. Yes. I have analyzed the costs and impacts of the NBCWA on the coal industry and coal mining operations for over 30 years. I testified before the President's Commission on United Mine Workers of America Retiree Health Benefits (the "Coal Commission") in 1990, which led to the passage of the Coal Industry Retiree Benefits Act of 1992. I have also testified in bankruptcy court on behalf of Patriot Coal Company in 2013 regarding the costs of the NBCWA and the impact on Patriot's operations and its reorganization plans.

PURPOSE AND SUMMARY

Q. What is the purpose of your testimony?

A. My testimony describes the major issues involved in the Company's decision to close the Deer Creek mine and replace the coal with a new long-term contract supplied by Bowie Resources (Bowie). These issues include the rising costs of continued operation of the Deer Creek mine as an employer under the NBCWA and the market for Utah coal which will replace the coal supply to the Utah power plants.

Q. What was the benefit to the Company's customers of the Company having its own captive production of coal to supply the Utah plants?

A. For many years, the Company has operated its own coal mines in Utah (Deer Creek and previous mines) to supply the Utah power plants (Huntington, Hunter and Carbon). The Company was able to operate its own mines at costs similar to the costs of operation by commercial coal suppliers in the Utah market. Operating its own mines had a number of benefits to the Company and its customers, including:

1) Stable supply of coal meeting the plant requirements at reasonable costs;

2) Low coal transportation costs to deliver coal to the Huntington and Hunter power plants;

3) Reduced exposure to swings in coal prices based on market conditions;

4) Leverage with commercial coal suppliers in negotiating coal purchase contracts.

Q. What changes have occurred that no longer make it advantageous for the Company to maintain its own captive coal mining operations?

A. In recent years, the value of having captive coal supply for the Utah plants has declined while the costs of maintaining this captive supply have increased.

Q. Why has the value of a captive coal supply declined?

A. Historically, the Utah coal market has had limited supply relative to the potential demand. There were a small number of economic coal mines and a large potential market, including local power plants as well as shipments to power plants in the Eastern U.S. and exports to overseas markets. The major change in recent years has been the decline in demand for Utah coal. Utah coal is no longer demanded in Eastern markets and several local power plants have announced plans to close in the near future. As a result, there is now excess supply of coal on the Utah market, and the concern of potential shortages and price spikes in the commercial market is much less than in the past.

Q. Why have the costs of maintaining a captive coal supply increased?

A. The Deer Creek coal mine is approaching the end of its reserve life. As the mine depletes, the cost of production is expected to rise and the coal quality is expected to decline. In addition, the costs of continuing to be a signatory employer under the NBCWA and a participant in the multi-employer pension plan of the United Mine Workers of America (UMWA) have substantially increased in recent years and have a large risk of increasing much more in the future.

Q. Please describe how your testimony is organized.

A. First, I discuss the reasons for the increased cost to the Company of its continued production and participation in the pension plan and the growing risk of higher costs in the future. Second, I discuss the changes in the market for Utah coal and the costs and benefits of purchasing coal from commercial suppliers compared to continued captive coal production.

INCREASED COST AND RISK OF PARTICIPATION IN THE UMWA 1974 PENSION PLAN AND TRUST

Q. Please describe the UMWA 1974 Pension Plan and Trust.

A. The UMWA 1974 Pension Plan and Trust (1974 Pension Trust) is a multi-employer pension plan established to provide retirement benefits to eligible mine workers who retire, who become disabled and to the eligible surviving spouses of mine workers. The UMWA 1950 Pension Trust was merged into the 1974 Pension Trust in 2007. The 1974 Pension Trust provides pension benefits to retired members of the UMWA who are eligible based upon their years of signatory service (work for a company which was a signatory of the NBCWA) regardless of the identity of their former employer. As a multi-employer plan, eligible retirees receive benefits from the 1974 Pension Trust based upon their qualifying signatory service, regardless of whether their former employer is currently in business or making payments to the 1974 Pension Trust.

Q. Who are the signatory employers?

A. The signatory employers are companies who have signed the current or previous National Bituminous Coal Wage Agreement (NBCWA). Signatory employers also include companies who have signed separate agreements with the UMWA which incorporate the terms of the NBCWA (so-called “me too” agreements) and are signatory to the terms of the 1974 Pension Trust agreement.

Q. What is the National Bituminous Coal Wage Agreement?

A. The NBCWA is negotiated between the Bituminous Coal Operators Association (BCOA) and UMWA. The NBCWA governs the terms of employment of the hourly workers of the signatory companies, including pay, benefits, work rules and retirement benefits. The current 2011 NBCWA was effective on July 1, 2011 and will expire December 31, 2016.

Q. Is Energy West a signatory of the current NBCWA?

A. No. Energy West has not signed the 2011 NBCWA. The UMWA employees of Energy West (at the Deer Creek mine and the Hunter Preparation Plant) have been working without a contract since the last contract expired on January 2, 2013.

Q. Is Energy West still required to make contributions to the 1974 Pension Trust?

A. Yes. While the last labor contract has expired, Energy West is still required to contribute to the 1974 Pension Trust. Based upon prior court rulings,[1] as a previous signatory to the 1974 Pension Trust documents, Energy West is obligated to continue to contribute at the rates set by the NBCWA whether or not Energy West is a signatory to successor NBCWA agreements.

Q. How are contribution rates to the 1974 Pension Trust established?

A. The contribution rates are established by agreement of the BCOA and the UMWA in the NBCWA and its successor agreements. Energy West is bound to make contributions at the rates established in the NBCWA.

Q. What is the current contribution rate to the 1974 Pension trust?

A. For the term of the 2011 NBCWA (from July 1, 2011 through December 31, 2016),

[1] See Holland v. Freeman United Coal Mining Co, 574 F. Supp. 2d 116 (2008), United States District Court, District of Columbia, Civil Action Nos. 07-0490 and 07-1050.

the contribution rate was fixed at the rate of $5.50 per hour worked for all UMWA employees employed prior to January 1, 2012. This is a very substantial cost to the signatory employers. The standard wage rate for the highest-paid UMWA employee as of July 1, 2011 was $25.415 per hour, so the contribution to the 1974 Pension Trust is over 20 percent of the regular payroll rate.

Q. Why is the contribution rate so expensive?

A. Because of the nature of the multi-employer plan and the fact that the number of contributing employers has been declining over time. In a multi-employer plan, the current employers are not making contributions based upon the cost of providing pensions to their own current and future retirees. The pensions for all eligible UMWA retirees (and surviving spouses) are included in the Trust and the contributions from current employers are supposed to be set at the level needed to pay for all of the eligible retirees, not just the individual employer's retirees.

In the case of the coal industry, UMWA coal production and employment has been declining over time. Because the cost of coal production with UMWA employees has been greater than the cost of production with non-union employees (due to wage rates, very high benefit costs, and lower productivity due to UMWA work rules), no new coal mines developed since the 1980s have signed the NBCWA. As existing UMWA mines have depleted and closed, the number of active UMWA employees and coal production from UMWA mines has declined. Former signatory employers have closed and some have filed bankruptcy. As the coal production and contributions from signatory employers have declined, the cost of contributions for the remaining employers has escalated rapidly.

Q. What has happened to the amount of coal production by companies who are contributing to the 1974 Pension Trust?

A. Just prior to the passage of the Coal Industry Retiree Benefit Act of 1992 (which was a Federal law designed to address the funding shortfalls for UMWA retiree medical benefits), signatory coal production was 285 million tons in 1991.[2] The level of signatory UMWA production had been declining from a peak of 423.7 million tons in 1970, when signatory production was almost 70 percent of total U.S. coal production. Since the passage of the 1992 Coal Act, signatory coal production has fallen sharply as companies have closed UMWA coal mines and have gone out of business. From 1998 to 2013, signatory coal production has fallen by two-thirds, from 217 to 76 million tons, as shown on Exhibit PPL/302. Signatory coal production is on pace to fall again in 2014, with mine closures announced in Alabama and West Virginia.

Q. Please provide a history of the contribution rates to the 1974 and 1950 Pension Trusts.

A. The historical contribution rates from 1975 to 2014 to the 1974 and 1950 Pension Trusts are shown on Exhibit PPL/303. The contribution rates to the 1950 Pension Trust were set in dollars per ton produced, but the exhibit shows the rates converted to equivalent dollars per hour worked. The contributions to the 1950 Pension Trust ceased in 1987 after the 1950 Pension Trust was fully funded. The 1950 Pension Trust was merged into the 1974 Trust in 2007. The contribution rate to the 1974 Pension Trust was in the range of $0.60 - $1.20 per hour worked (including the equivalent contribution rate per ton) from the plan inception through 2001. In the 2002

[2] US House of Representatives, Committee on Ways and Means, "Development and Implementation of the Coal Industry retiree Health Benefit Act of 1992", page 130.

NBCWA, the contribution rate was reduced to zero. However, a substantial deficit in the Trust required a resumption of contributions in the 2007 NBCWA at the rate of $2.00 per hour, growing to $5.00 per hour by the end of the contract. In the 2011 NBCWA, contribution rates were fixed at $5.50 per hour for the term of the contract through the end of 2016.

Q. What has happened to the financial condition of the 1974 Pension Trust?

A. The financial condition of the 1974 Pension Trust has deteriorated dramatically since the start of the 2007 NBCWA. At the valuation date of June 30, 2006, the market value of the assets was $6.0 billion and the present value of the vested benefits was $7.1 billion, for a deficit of $1.1 billion (the value of the unfunded vested benefits). However, as shown on Exhibit PPL/304, the deficit has skyrocketed since 2006 to $5.5 billion as of the last valuation date of June 30, 2013.

Q. What are the causes of the large increase in the deficits in the 1974 Pension Trust?

A. It has been a combination of an increase in the present value of the vested benefits and a decline in the market value of the plan assets. The present value of the vested benefits has increased from $7.1 billion on June 30, 2006 to $9.6 billion on June 30, 2013 due to benefit increases and changes in actuarial assumptions, principally the lower interest rate used to discount future benefits to a present value (this change is due to lower interest rates and expected earnings for the plan assets). The market value of the plan assets has fallen from $6.0 billion on June 30, 2006 to $4.1 billion on June 30, 2013 due to the decline in the market value of the plan investments in

2008 and 2009 and the fact that benefit payments have exceeded contributions and investment earnings.

Q. How do Company contributions to the 1974 Pension Trust compare to the cost of benefits?

A. For the most recent year ended June 30, 2013, total contributions were $121.5 million (including $6.2 million of withdrawal payments), while the cost of benefits paid and plan expenses were $609.6 million. The annual income of the plan assets is not enough to fund the difference between the employer contributions and the cost of the benefits. In the most recent year, the earnings and market appreciation of the plan investments were $377.1 million, so the value of the plan assets declined by over $100 million. The decline in the value of the plan assets would have been even larger except for the fact that the return on plan assets was $62.4 million greater than expected. As the value of the plan assets is depleted to pay the current benefits, the earnings on the plan assets will decline further, exacerbating the shortfall.

Q. What is the impact of the funding deficit on the amount of future contributions by employers like Energy West to the 1974 Pension Trust?

A. Under the federal Pension Protection Act of 2006 (PPA), the actuary for a multi-employer pension plan must certify the funded status of a plan annually. For the plan year beginning July 1, 2011, the actuary for the 1974 Pension Trust certified that the plan was in “seriously endangered status” for the first time. The PPA requires that BCOA and the UMWA adopt a funding improvement plan to avoid a funding deficiency for any plan year and improve the plan’s funded status by at least 20 percent over a 15-year period.[3] The funding improvement plan was adopted on May 25, 2012 and was updated on April 26, 2013. The funding improvement plan will require contributions by participating employers to more than double in 2017 (after the end of the current NBCWA) to $13.20 per hour and continue to increase rapidly to a rate of $26.00 per hour by 2022 and remain at this level thereafter.[4] The 1974 Pension Trust's financial condition has further deteriorated and it is now considered to be in "critical" status for plan year beginning July 1, 2014. A new "rehabilitation plan" will be required to be adopted no later than May 2015 which will likely require even higher future contribution rates.

Q. What would be the likely impact of this required increase in contributions on the cost of production for the contributing employers?

A. The required increase would have a substantial increase in costs for the signatory employers. Production at signatory UMWA mines has already been declining steadily as shown on Exhibit PPL/302. The cost for contributions to the 1974 Pension Trust at $26.00 per hour worked would equal about $7.00 per ton at the average UMWA mine. This increase would make more UMWA mines uneconomic and likely to close.

Q. What would be the impact on the financial status of the 1974 Pension Trust if more UMWA mines were to close?

A. It is likely that the 1974 Pension Trust would enter what is popularly known as a "death spiral", where declining production would force the remaining producers to contribute at even higher hourly rates, which would in turn force more mines to close.

[3] Annual Funding Notice from the Trustees of the UMWA Health and Retirement Funds, October 25, 2013.
[4] This schedule assumes no cuts in benefits. If benefits were cut to the maximum extent permitted by law, the contribution rate would rise to $24.90 per hour by 2022 instead of $26.00.

The remaining signatory employers would likely close their UMWA mines and seek to withdraw from the 1974 Pension Trust.

Q. How can an employer limit its exposure to the future costs of the 1974 Pension Trust?

A. The only way for a current signatory employer to limit the future financial obligations to the 1974 Pension Trust is to close its UMWA operations (laying off all UMWA employees) and withdraw from the Trust. Previous court rulings have held that the existing signatory employers must continue to make contributions to the 1974 Pension Trust at the rates established under the NBCWA even if the employer is no longer a signatory to the agreement.

Q. What happens when an employer withdraws from the 1974 Pension Trust?

A. Under the terms of the Employee Retirement Income Security Act (ERISA), an employer must pay withdrawal liability equal to its proportionate share of the unfunded vested benefits as of the last valuation date. The employer's liability is calculated based upon its share of the contributing hours worked over the preceding five years times the total unfunded vested benefits.

Q. What is the withdrawal liability for Energy West if it closes the Deer Creek mine?

A. Based upon the last valuation date of June 30, 2013, the Company had an estimated withdrawal liability of $125,615,617 if it had withdrawn from the 1974 Pension Trust prior to June 30, 2014. This valuation is an estimate provided by the Trustees at the request of Energy West, based upon the unfunded benefits of $5.4 billion and the Company's share of the total signatory hours worked over the last five years of 2.32

percent. A new valuation of the unfunded vested benefits and the withdrawal liability as of June 30, 2014 has not been prepared by the Trustees at this time, so the current withdrawal liability is not known for certain.

Q. How would the withdrawal liability be paid?

A. The withdrawn employer has the obligation to make annual payments equal to the highest contribution rate (in dollars per hour) over the previous 10 years times the highest average annual contribution base units (annual signatory hours worked over the highest three-year period in the previous 10 years). The withdrawn employer also has the option to make the withdrawal payment in a lump sum in lieu of the annual payments. Annual payments would continue indefinitely until the 1974 Pension Trust has satisfied all of its obligations to beneficiaries.

Q. What has happened to the calculation of the withdrawal liability of Energy West over recent years?

A. After learning of the funding deficit in September 2010, Energy West has requested that the Trustees provide a calculation of its withdrawal liability annually. In that time, the withdrawal liability has increased from $85.9 million to $125.6 million, as shown on Exhibit PPL/306. The reason for the increase in liability has been the increase in the unfunded vested benefits in the Trust, as described earlier. The share of signatory hours worked by Energy West has been stable over this period.

Q. What is likely to happen to Energy West's withdrawal liability if the Company delays withdrawal until a future date?

A. It is highly likely that Energy West's withdrawal liability will continue to rise significantly.

Q. Why?

A. The amount of coal produced by other signatory companies is certain to decline as other companies close uneconomic coal mines. As a result, the share of signatory hours worked by Energy West will increase, so Energy West's share of the withdrawal liability will be higher. Further, the lower amount of production will reduce the annual contributions to the Trust, increasing the unfunded deficit. Finally, it is possible that some of the other signatory companies will be unable to continue to make contributions or withdrawal payments due to their weak financial condition, which would leave a greater share of the liability with Energy West.

Q. What is likely to happen to Energy West's withdrawal payment obligation if it delays withdrawal until after 2016?

A. If Energy West withdraws prior to 2017, the highest contribution rate which would be multiplied by the annual hours worked would be $5.50 per hour. Based on the latest funding improvement plan, the contribution rate will increase to at least $13.20 per hour, which would more than double the annual withdrawal payment. The annual payment obligation is likely to increase significantly in 2017 after the 2011 NBCWA expires.

Q. Why do you expect coal production by other UMWA mines to decline in the future?

A. Several large UMWA mines have already closed in 2014 in Alabama, Virginia and West Virginia. Producers have provided WARN Act[5] notices at a number of other mines and these are likely to close in the near future. Weak prices for metallurgical

[5] The Worker Adjustment and Retraining Notification Act, which requires 60 days advance notice prior to layoffs which exceed 50 employees.

coal have jeopardized the viability of several other large mines which have disproportionately more employees, due to difficult mining conditions. Further, the remaining mines will become much less economic when the large increase in contributions to the 1974 Pension Trust starts in 2017.

Q. Who are the signatory coal producers contributing to the 1974 Pension Trust?

A. I have calculated the signatory coal production by parent company in 2013, which is presented in Exhibit PPL/307. The largest coal producer was Consol Energy (its subsidiaries Consolidation Coal and McElroy Coal). Consol sold these mines in late 2013 to Murray Energy, the parent company of Ohio Valley Resources, another signatory producer. The combination makes Murray Energy the largest signatory producer, with over 45 percent of all of the 2013 production, all from six highly-productive mines. Excluding Energy West, there were only six other signatory coal producers in 2013.

Q. Who is the second-largest signatory coal producer?

A. The second-largest signatory producer was Patriot Coal (including its subsidiaries Eastern Associated Coal, Highland Mining and others). Patriot filed for Chapter 11 bankruptcy in 2012, citing high operating costs and long-term liabilities, especially associated with the NBCWA. Patriot emerged from Chapter 11 in late 2013, but has continued to lose money. In 2014, Patriot has closed or idled two of its remaining UMWA mines and given WARN notice at another mine. In its bankruptcy, Patriot announced that it had reached an agreement with the UMWA to limit its future contributions, although the terms were not made public.

Q. What is the financial condition of the other signatory coal producers?

A. The next-largest signatory coal producers were subsidiaries of Walter Energy and Alpha Natural Resources. In 2014, Walter closed the large North River UMWA mine. Walter is highly-leveraged due to a large acquisition of Western Coal in 2011 at the peak of the metallurgical coal market and is now in precarious financial condition. Walter's debt has been trading at about 50 percent of its face value and its common stock has fallen to only five percent of its peak value in 2011. Alpha also incurred a large debt in a 2011 acquisition of Massey Energy and its common stock is also just five percent of its peak value in 2011. Alpha has announced the closure of its remaining signatory Virginia mines at Dickenson-Russell Coal Company and has stopped development at its large Emerald mine. The next-largest producer, Cliffs Natural Resources, has two UMWA mines, both producing metallurgical coal, and has reported losses at these mines since they were purchased in 2007. Cliffs has recently announced its intention to sell these mines and exit the coal business. Finally, Mechel idled all of the UMWA mines at its Bluestone Coal subsidiary this year. Mechel has also announced its intention to sell its coal mines and its credit rating has fallen to a point where bankruptcy is likely.

Q. Based on these conditions, what do you expect is likely to happen if Energy West continues to operate the Deer Creek mine?

A. It is likely that the cost of operating the Deer Creek mine will increase significantly after 2016 as the contribution rates to the 1974 Pension Trust are increased. Further, there is a significant possibility of a national strike by the UMWA in 2017 in an attempt to spur Congress to provide funding for the Pension Trust. Finally, when the

Deer Creek mine is closed after depletion of its coal reserves, Energy West's withdrawal liability is expected to be much higher due to the increased contribution rates under the Funding Improvement Plan.

Q. Is it possible that some events in the future will cause the cost to Energy West to decline?

A. Unforeseen events are always possible. The UMWA is actively lobbying Congress to provide federal funding for the 1974 Pension Trust. This does not appear likely given the budget deficit and is not an event the Company can count on. The value of the Trust's investment assets could increase faster than projected by the actuaries, however, this is unlikely given the current deficit which is depleting the assets.

Q. Why should the Company withdraw now instead of waiting for Congress to fund the deficits in the 1974 Pension Trust?

A. It would be very risky for the Company to hope that Congress will bail out the 1974 Pension Trust, as any federal action is uncertain. What is certain is that the cost to the Company will continue to rise if it does not withdraw from the Trust.

THE MARKET FOR UTAH COAL AND THE NEW COAL SUPPLY CONTRACT TO REPLACE DEER CREEK

Q. If the Company does not continue to produce coal at Deer Creek, how will it supply its Utah coal-fueled power plants?

A. The Company has the choice of producing its own captive coal or supplying the Utah plants from coal purchased in the commercial market. Thus, the decisions facing the Company are whether to operate or close the Deer Creek mine and, if it is closed, whether to replace the coal on the commercial market under a new long-term contract at the present time or to purchase coal on the short-term market in the future. The factors to consider in these decisions include the expected cost of purchasing coal relative to producing coal, the current and expected future coal market conditions, and the reliability of supply of coal at a quality which can be consumed by the Utah plants.

Q. Please provide an overview of the Utah coal market.

A. The Utah coal market is part of the broader Rockies coal region, which includes coal produced in the states of Utah and Colorado as well as parts of Wyoming, Montana and New Mexico. This region includes coals produced in various coal basins, with some degree of overlapping sales among the coal basins in these states. Utah coal is produced in several different coal fields (including active operations in the Wasatch Plateau, Book Cliffs and Alton coal fields) which compete with each other in the marketplace.

Q. Where is Utah coal sold?

A. The largest market for Utah coal is at power plants and industrial customers located in Utah or nearby states (including Nevada, California and Idaho) where Utah coal has a transportation advantage over other potentially competitive sources of coal. Utah coal used to be sold to Eastern coal markets but those sales have virtually disappeared.

Q. Why have sales to markets in the Eastern U.S. declined?

A. In part, because of lower demand for coal in the Eastern U.S., but also because Utah coal has become less competitive over time with other sources of similar-quality coal (bituminous, low-sulfur) delivered to Eastern customers, such as Rockies coal from the states of Colorado and Montana as well as coal from Appalachia. Sales of Utah coal to Eastern power plants have fallen from 3.8 million tons in 2008 to near zero (5,152 tons) in 2013.

Q. What are the other markets for Utah coal mines?

A. The major market for Utah coal is at local power plants and industrial customers. In 2013, sales of Utah coal to power plants in Utah, Nevada and California were 13.2 million tons, down from 18.2 million tons in 2008. PacifiCorp purchased 7.3 million tons for its Utah plants in 2013. The other major markets are the large Intermountain Power Project (IPP) power plant in Utah, the North Valmy and Reid Gardner power plants in Nevada, several cogeneration plants in California, and a number of industrial customers in Utah, Nevada, California, and Idaho. In 2013, Utah coal sales to these other power plants were about 5.9 million tons (including 5.2 million to IPA) and sales to industrial consumers were 2.6 million tons. In addition, some Utah coal (about 0.7 million tons in 2013) is exported to overseas markets through ports in California.

Q. What is likely to happen to demand for Utah coal at these other local markets?

A. The demand for Utah coal will decline at other local power plants because most of these plants have announced dates when they will close. The Reid Gardner power plant will close units 1-3 at the end of 2014 and the remaining unit at the end of 2017. PacifiCorp will close the Carbon power plant in 2015. NV Energy's most recent Integrated Resource Plan, filed in 2013, reflects retirement dates for the North Valmy units in 2021 and 2025.[6] All of the plants in California have announced they will stop burning coal by the end of 2015. Finally, IPP has announced it will stop burning coal after its contracts with the California participants expire in 2027. At that point,

[6] NV Energy Northern Service Territory 2013 Integrated Resource Plan, Volume 11, page 144.

PacifiCorp is likely to be the only consumer of Utah coal in power plants, along with the industrial customers and the export market.

Q. Why has Utah coal become less competitive with other sources of similar coal?

A. Principally due to the depletion of coal mines in Utah over time and the increasing costs to mine the remaining coal reserves. Utah coal production grew in the 1970s and 1980s with the development of new mines to supply growing markets at local power plants, Eastern customers for low-sulfur bituminous coal and exports to Asia. Production from these mines peaked in 1996 at close to 28 million tons per year. Production remained fairly steady over the next decade, but has declined since then as lower-cost coal reserves at the older mines were depleted. As shown on Exhibit PPL/308, total Utah coal production has declined significantly over the last 8 years, falling from 26.0 million tons in 2006 to 16.6 million tons in 2013.

Q. What has happened to coal production by mine in the state of Utah?

A. Utah coal production by mine for the years 2006 - 2013 is shown on Exhibit PPL/308. The Aberdeen, Crandall Canyon and Bear Canyon #3 mines have depleted and closed. The Emery and Horizon mines have been closed for economic reasons. Production has declined at the large Sufco, Dugout Canyon, West Ridge and Deer Creek mines due to depletion of reserves and more difficult mining conditions. Two new mines have been developed to partially replace the decline from existing mines: the Lila Canyon mine and the Coal Hollow mine in southern Utah (which is the only surface mine in Utah).

Q. What is the outlook for Utah coal supply?

A. The supply of Utah coal will continue to decline. Two of the large remaining coal mines, West Ridge and Deer Creek, are facing depletion and closure in the near future. West Ridge is expected to close in 2016. Deer Creek would deplete all of its remaining reserves in 2019, but is being closed earlier. Arch Coal, the former owner of Canyon Fuels (which was sold to Bowie Resources in 2013), reported limited reserve life at both the Dugout Canyon and Skyline mines, although these lives could be extended with new coal leases. While Murray Energy is planning to replace the depleting West Ridge mine with the Lila Canyon mine, the closure of the Deer Creek mine will significantly reduce the supply of Utah coal.

Q. How much coal does PacifiCorp need to supply its Utah power plants?

A. Historically, PacifiCorp has consumed between 7.1 and 8.4 million tons per year of Utah coal at its Hunter, Huntington and Carbon power plants (this includes the coal consumed at the Hunter plant for the share not owned by PacifiCorp). With the closure of the Carbon power plant in 2015, the projected coal requirements for the Hunter and Huntington plants is projected to be about 7.3 million tons per year.

Q. With the closure of the Deer Creek mine, what will be the likely sources of coal to supply the Hunter and Huntington power plants?

A. The Hunter and Huntington plants can only deliver coal by truck and are not located near a railroad. The economics of coal transportation make truck delivery over long distances expensive, and the economic sources of coal for these plants will likely be limited to the five nearby coal mines which can deliver coal by truck within a radius of less than 70 miles. These mines are the Sufco, Skyline and Dugout Canyon mines owned by Bowie Resources, the Castle Valley mine owned by Rhino Energy, and the Lila Canyon mine owned by Murray Energy (which is replacing the depleting West

Ridge mine). These mines are likely to produce 13 - 15 million tons per year through 2018, with about half of the coal supplying the PacifiCorp power plants.

Q. What is the outlook for Utah coal supply after 2019?

A. The supply of Utah coal is uncertain after 2019. Based upon the current assigned reserves, the Skyline and Dugout Canyon mines would likely be closed in this time period. While Bowie has announced plans to lease additional coal reserves and maintain production, these plans could change based upon market conditions and the ability to obtain these coal leases. It is possible that Utah coal supply could be significantly smaller in this time period.

Q. What is likely to happen to the market price of Utah coal after the Deer Creek mine is closed?

A. The Deer Creek mine has supplied a large share of the Utah market, producing 15 percent – 20 percent of total Utah coal over recent years. The closure of the Deer Creek mine will result in PacifiCorp replacing about 2.6 million tons per year from other Utah coal suppliers (3.2 million tons of production less the reduced demand due to closing the Carbon plant). This is likely to result in an increase in the market price for Utah coal in the near term.

Q. Does your company EVA prepare a regular forecast of coal market prices?

A. Yes, EVA has been preparing forecasts of U.S. coal market prices for over 30 years. We publish regular forecasts of U.S. coal supply, demand and prices for short-term (three years) and long-term (25 years) markets. Many participants in the U.S. coal markets subscribe to our price forecasts, including power companies, coal producers, coal transportation companies and investors in the coal industry. We call our coal market forecast reports “COALCAST”.

Q. How frequently do you publish your COALCAST forecast of coal market prices?

A. We publish our forecast of long-term coal prices once per year in September. We publish our forecast of short-term market prices quarterly.

Q. Have you provided your forecast of Utah coal market prices to PacifiCorp for its use in this analysis?

A. Yes, PacifiCorp has been a subscriber to our coal market price forecasts for a number of years and we provided our latest forecast of Utah coal prices to PacifiCorp in early September. This is the same forecast of market prices which we publish for use by all of our subscribers.

Q. What is your forecast of Utah coal prices?

A. Our forecast of Utah coal prices is for coal with a heat content of 11,800 British Thermal Unit (Btu) per pound loaded FOB rail in the area of Price, Utah. The 2014 long-term forecast is shown on Exhibit PPL/309. We estimate current market prices to be $37 - $38 per ton. We project that these prices will increase to over $42 per ton by 2016 due to closures of Utah coal mines (Deer Creek and West Ridge). We project that Utah coal prices will continue to rise over time, reaching $46 per ton by 2020 and reaching $50 per ton by 2024.

Q. Are these prices delivered to the Hunter and Huntington power plants?

A. No, this is a forecast of market prices in the area of Price, Utah. To determine the projected market price delivered to the Hunter and Huntington power plants, one would need to add an estimate of the transportation costs from these mines to each power plant.

Q. Why do you project that Utah coal prices will continue to increase in the future?

A. The reasons for the increase in Utah coal prices in our forecast are mining cost increases due to inflation in factor costs (labor, supplies, etc.) and depletion of reserves requiring more difficult mining conditions.

Q. Has EVA considered the potential impact of new regulations on carbon dioxide emissions from existing power plants?

A. The prospect for regulation of carbon dioxide emissions from existing power plants is uncertain. The Environmental Protection Agency (EPA) has proposed new regulations called the "Clean Power Plan", which are scheduled to take effect beginning in 2020. EPA's public comment period closed on December 1, 2014, and plans to issue final rules in June 2015. Following the final rules, each state will have to prepare a State Implementation Plan (SIP) for approval by EPA. The proposed regulations are already subject to litigation challenging EPA's statutory authority to implement the broad scope of the regulations, which would affect not just emissions from existing power plants, but also the dispatch of these plants, construction of renewable energy power plants and energy efficiency programs. Given the uncertainty, EVA has prepared an alternate case forecast of coal prices which would model the impacts of EPA's proposed rules on coal markets.

Q. What is the projected impact of the proposed new carbon dioxide regulations on EVA's forecast of Utah coal markets and prices?

A. Because many of the power plants using Utah coal are scheduled to retire by 2020 anyway without the new regulations, they are projected to have a modest impact on the market for Utah coal. EVA projects that the principal impact will be the acceleration of the projected retirement of the Intermountain power plant from 2027 to 2020. EVA forecasts that this would result in a lower market price for Utah coal during this time period, but that the impacts will disappear by 2026. The comparison between the forecast of Utah coal prices under the No Carbon Case and the Carbon Case is shown on Exhibit PPL/310.

Q. In your opinion, is it prudent for PacifiCorp to enter into a long-term contract for Utah coal to replace the supply from the Deer Creek mine prior to closing the mine?

A. Yes. The closure of mines in Utah, including the Deer Creek mine (whether closed now or in 2019), will reduce the supply of coal in the Utah market and is likely to result in higher coal market prices. If PacifiCorp were to wait to purchase replacement coal until after closing the mine, it is likely that the Company would pay higher prices for coal at that time.

Q. As you are projecting there will be ample supply of Utah coal due to other demand declining, why is it important for PacifiCorp to have a significant portion of its coal purchased under long-term contract rather than just purchase the coal on the market under short-term purchases?

A. After the closure of the Deer Creek mine, there will be only three producers of Utah coal: Bowie Resources, Murray Energy and Rhino Energy. Without the Deer Creek mine, PacifiCorp would not be able to supply its coal demand without purchasing large volumes from Bowie. This would give Bowie the ability to price discriminate and charge PacifiCorp a higher price than the prevailing market price for Utah coal to other customers. By committing all of its coal requirements at the Huntington plant under a new long-term contract with Bowie at fixed prices, PacifiCorp will continue to have competition among the remaining Utah coal producers to supply the Hunter plant, preventing Bowie from being able to exercise market power and charge higher prices.

Q. What will be the impact of closing the Deer Creek mine on the coal price for the Hunter plant after its existing long-term contract expires after 2019?

A. The Deer Creek mine was scheduled to deplete and close by 2019 in any event. Thus, closing the mine earlier will not affect the market price for the Hunter plant after 2019.

Q. Have you reviewed the Huntington CSA between PacifiCorp and Bowie Resource Partners for the purchase of coal for the Huntington power plant?

A. Yes.

Q. Please summarize the principal terms of the new coal supply contract.

A. The new coal supply contract with Bowie is to supply the coal requirements of the Huntington power plant, with a minimum of [redacted] tons per year and a maximum of [redacted] tons per year. The term of the contract is for 15 years from 2015 through 2029. The coal prices are fixed for every year of the contract, with the price for the first [redacted] tons per year starting at $[redacted] per ton delivered to Huntington in 2015, increasing in fixed amounts to reach $[redacted] per ton in the last year of the contract. The price for all coal in any year in excess of [redacted] tons is discounted at a price of $[redacted] per ton below the price for the first [redacted] tons.

The source of coal can be from Bowie's mines as well as from third-party sources. The average coal quality specifications are [redacted].

Q. How does the new Bowie contract price compare to your forecast of Utah market prices?

A. I have evaluated the new Bowie contract price and compared it to our forecast of Utah coal market prices on a delivered basis to the Huntington power plant at the same [redacted] per pound heat content. To adjust EVA's market price forecast to an equivalent basis, I have added the typical transportation cost from the Savage Coal Terminal to the Huntington power plant, which is estimated to be about $[redacted] per ton in 2014, escalating through 2029. I adjusted the market price forecast on a delivered basis to equal the same heat content of [redacted] Btu per pound. I did not make a further adjustment for the fact that the Bowie contract is for lower-sulfur coal ([redacted] than EVA's forecast (1.0 percent sulfur). For the Bowie contract, I used the delivered price stated in the contract, with the contract volumes and transportation cost adjustment as projected by the Company.

Q. What was the result of your analysis?

A. The projected delivered market price compared to the fixed prices under the Bowie contract are shown on Exhibit PPL/311. The 2015 delivered price of the Bowie contract starts at $[redacted] per ton, which is very similar to our forecast of delivered coal prices. EVA's projection of Utah coal prices is that they will escalate at a much faster rate than the very low price escalation rate fixed in the Bowie contract ([redacted] annual escalation rate through 2029 plus truck transportation adjustments).

As a result, we project that the new Bowie contract price will be significantly below the market price over the term of the contract.

Q. Based upon your review, do you believe it was prudent for the Company to enter into the new long-term coal contract with Bowie?

A. Yes.

Q. Why?

A. The new contract provides a secure supply of local Utah coal which will meet the full requirements of the Huntington power plant and replace the coal which would have been supplied by the Deer Creek mine. The initial delivered price is at the current market price for similar coal and the price escalation terms over the life of the contract are very favorable to PacifiCorp and well below our forecast of future coal market prices. The coal quality is attractive, as it is very low sulfur, which will reduce plant operating costs. PacifiCorp has included provisions in the Bowie contract which would protect it against being obligated to continue to purchase coal in the event that new government laws, rules or regulations affected the ability to consume at least [redacted] tons per year of coal at the Huntington power plant.

Q. Does this conclude your direct testimony?

A. Yes, it does.

Docket No. UM ____
Exhibit PAC/301
Witness: Seth Schwartz

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

PACIFICORP

Exhibit Accompanying Direct Testimony of Seth Schwartz

Resume of Seth Schwartz

December 2014

RESUME OF SETH SCHWARTZ

EDUCATIONAL BACKGROUND

B.S.E. Geological Engineering, Princeton University, 1977

PROFESSIONAL EXPERIENCE

Current Position

Seth Schwartz is the President and co-founder of Energy Ventures Analysis. Mr. Schwartz directs EVA's coal and power practice and manages the COALCAST Report Service. The types of projects in which he is involved are described below:

Fuel Procurement
Assists utilities, industries and independent power producers in developing fuel procurement strategies, analyzing coal and gas markets, and in negotiating long-term fuel contracts.

Fuel Procurement Audits
Audits utility fuel procurement practices, system dispatch, and off-system sales on behalf of all three sides of the regulatory triangle, i.e., public utility commissions, rate case intervenors, and utility management.

Coal Analyses
Directs EVA analyses of coal supply and demand, including studies of utility, industrial, export, and metallurgical markets and evaluations of coal production, productivity and mining costs.

Natural Gas Analyses
Evaluates natural gas markets, especially in the utility and industrial sectors, and analyzes gas supply and transportation by pipeline companies.

Expert Testimony
Testifies in fuel contract disputes and rate cases, including arbitration, litigation and regulatory proceedings, regarding prevailing market prices, industry practice in the use of contract terms and conditions, market conditions surrounding the initial contracts, and damages resulting from contract breach.

Acquisitions and Divestitures
Assists companies in acquisitions and sales of reserves and producing properties, both in consulting and brokering activities. Prepares independent assessments of property values for financing institutions.

Prior Experience

Before founding Energy Ventures Analysis, Mr. Schwartz was a Project Manager at Energy and Environmental Analysis, Inc. Mr. Schwartz directed several sizable quick-response support contracts for the Department of Energy and the Environmental Protection Agency. These included environmental and financial analyses for DOE's Coal Loan Guarantee Program, analyses of air pollution control costs for electric utilities for EPA's Office of Environmental Engineering and Technology, Energy Processes Division, and technical and economic analysis of coal production and consumptions for DOE's Advanced Environmental Control Technology Program.

Publications

Crerar, D.A., Susak, N.J., Borcsik, M., and Schwartz, S., "Solubility of the Buffer Assemblage Pyrite + Pyrrhotite + Magnetite in NaCl Solutions from 200^o to 350^o", Geochimica et Cosmochimica Acta (42)1427-1437, 1978.

Docket No. UM ____
Exhibit PAC/302
Witness: Seth Schwartz

BEFORE THE PUBLIC UTILITY COMMISSION

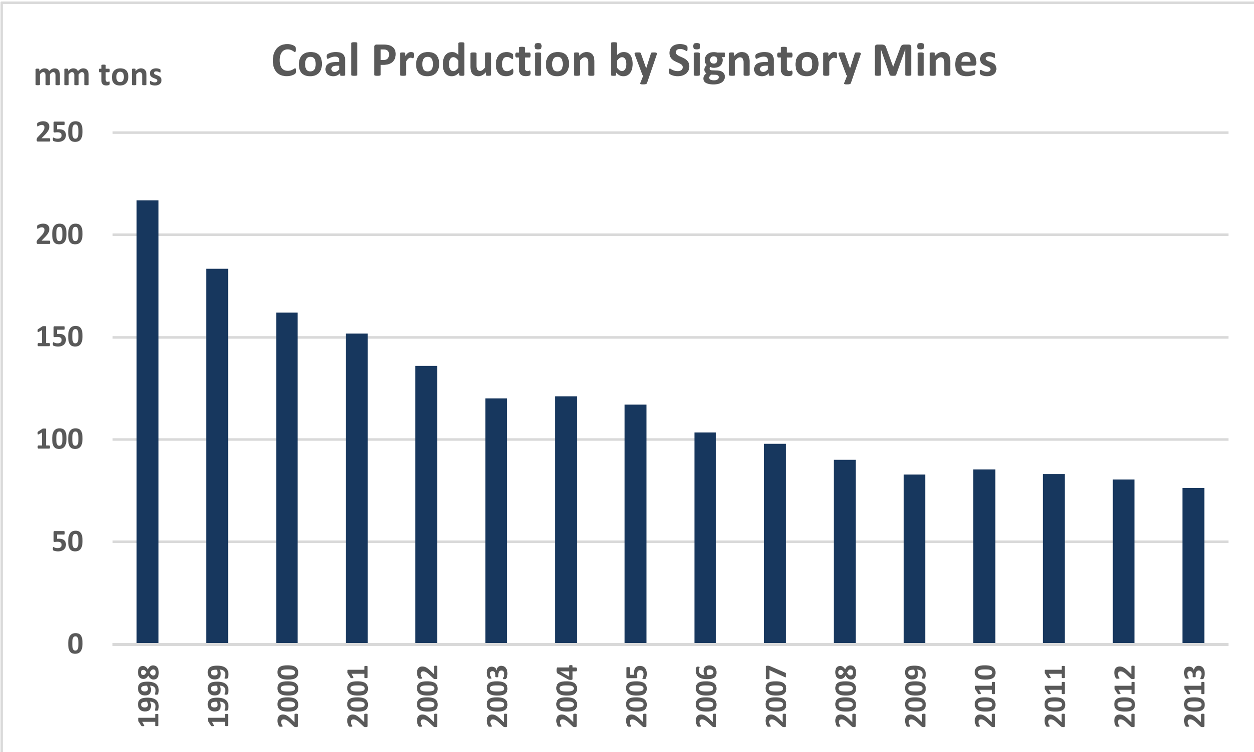
OF OREGON

PACIFICORP

Exhibit Accompanying Direct Testimony of Seth Schwartz

Coal Production by Signatory Mines

December 2014



Source: U.S. Energy Information Administration Form EIA-7A and Mine Safety and Health Administration Form 7000-2, analyzed by EVA.

Docket No. UM ____
Exhibit PAC/303
Witness: Seth Schwartz

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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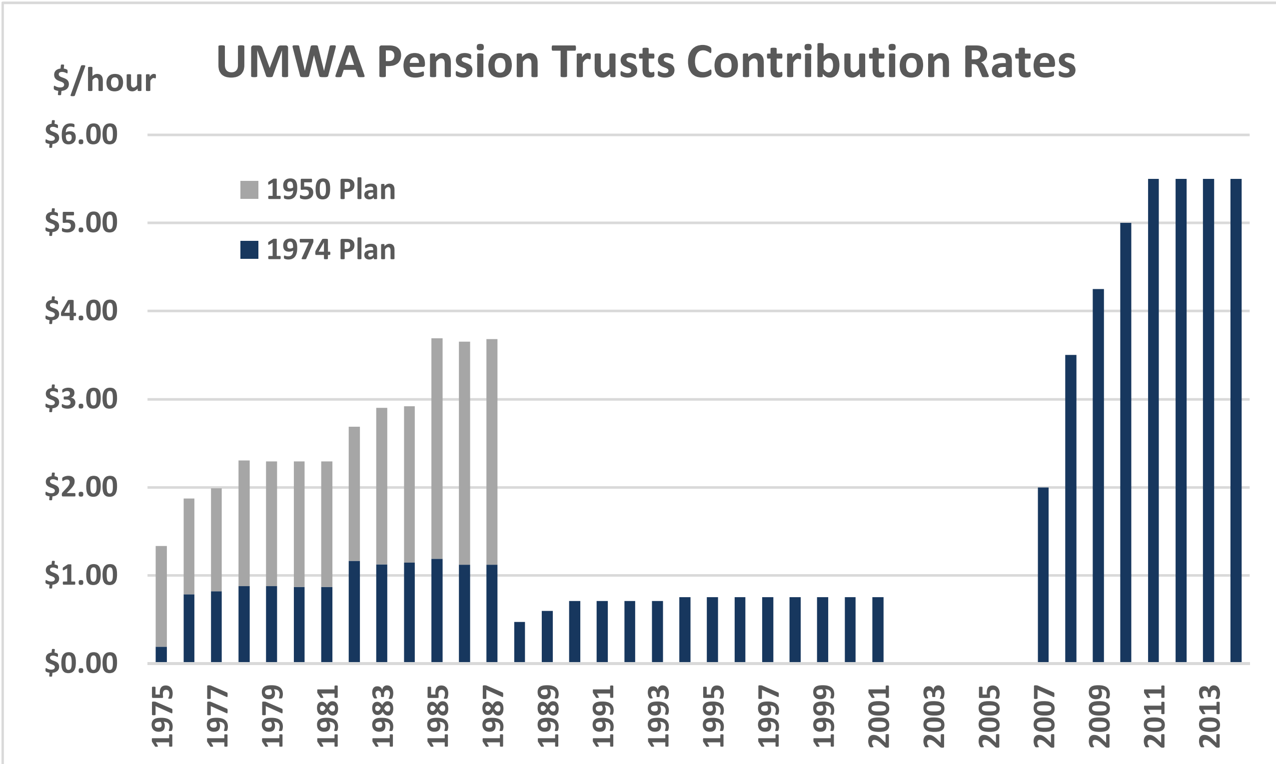
Exhibit Accompanying Direct Testimony of Seth Schwartz

UMWA Pension Trusts Contribution Rates

December 2014



Source: National Bituminous Coal Wage Agreements: 1974 - 2012

Docket No. UM ____
Exhibit PAC/304
Witness: Seth Schwartz

BEFORE THE PUBLIC UTILITY COMMISSION

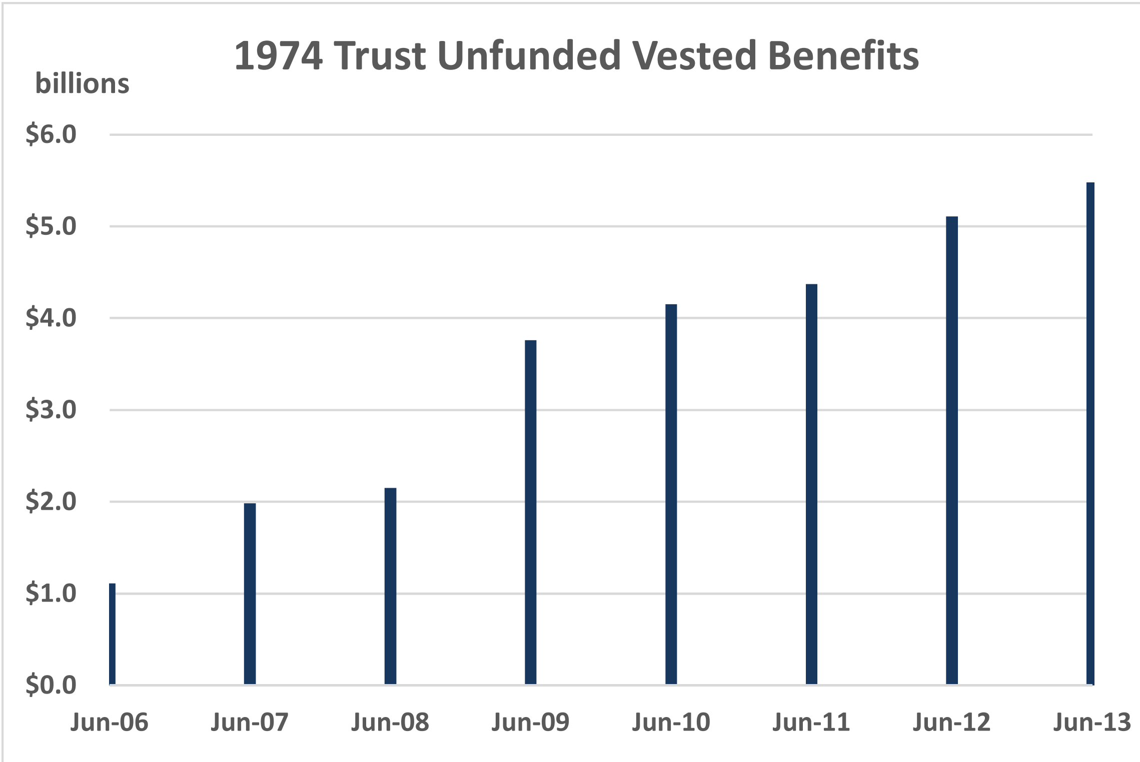
OF OREGON

PACIFICORP

Exhibit Accompanying Direct Testimony of Seth Schwartz

1974 Trust Unfunded Vested Benefits

December 2014



Source: Mercer, Actuarial Valuation Reports of the UMWA 1974 Pension Plan

Docket No. UM ____
Exhibit PAC/305
Witness: Seth Schwartz

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

PACIFICORP

Exhibit Accompanying Direct Testimony of Seth Schwartz

2013 Signatory Coal Production

December 2014

2013 Signatory Coal Production

Parent Company	**1000 Tons**
Consol Energy	29,174
Patriot Coal	11,749
Alpha Natural Resources	9,721
Walter Energy	9,468
Murray Energy	5,550
Cliffs	4,684
Pacificorp	2,810
Mechel Bluestone	1,829
Drummond	1,329
	76,315

Docket No. UM ____
Exhibit PAC/306
Witness: Seth Schwartz

BEFORE THE PUBLIC UTILITY COMMISSION

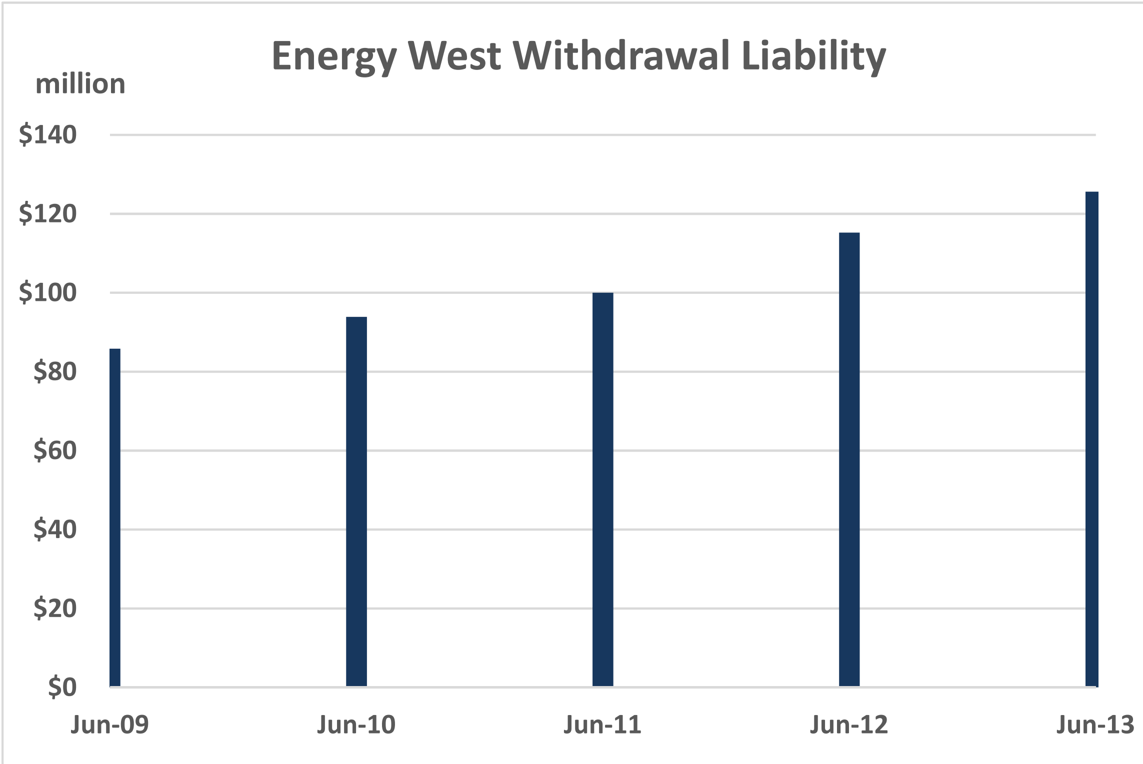
OF OREGON

PACIFICORP

Exhibit Accompanying Direct Testimony of Seth Schwartz

Energy West Withdrawal Liability

December 2014



Source: Letters to Energy West from the UMWA Health and Retirement Funds: 2010 – 2014

Docket No. UM ____
Exhibit PAC/307
Witness: Seth Schwartz

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

PACIFICORP

Exhibit Accompanying Direct Testimony of Seth Schwartz

Utah Coal Production by Mine

December 2014

Utah Coal Production by Mine (1000 tons)

Company	Mine	Type	2006	2007	2008	2009	2010	2011	2012	2013
Alton Coal	Coal Hollow	S	-	-	-	-	-	403	570	741
America West	Horizon	U	256	233	229	194	272	370	210	-
Bowie/Canyon Fuel	Dugout Canyon	U	4,387	3,826	4,145	3,291	2,461	2,395	1,516	561
Bowie/Canyon Fuel	Skyline	U	1,647	2,533	3,120	2,718	2,805	2,948	1,894	2,729
Bowie/Canyon Fuel	Sufco	U	7,908	6,712	6,946	6,748	6,398	6,498	5,650	5,960
Consol Energy	Emery Mine	U	1,054	1,026	1,050	1,238	999	-	-	4
Hiawatha Coal	Bear Canyon #3	U	27	-	-	-	-	-	-	-
Murray Energy	Crandall Canyon	U	605	402	-	-	-	-	-	-
Murray Energy	So Crandall Canyon	U	759	-	-	-	-	-	-	-
Murray Energy	Lila Canyon	U	-	-	-	-	72	156	304	257
Murray Energy	Aberdeen	U	2,089	1,045	242	-	-	-	-	-
Murray Energy	Pinnacle	U	8	-	-	-	-	-	-	-
Murray Energy	West Ridge	U	3,022	4,255	3,809	3,063	3,326	3,566	2,409	2,629
Pacificorp	Deer Creek	U	3,748	3,685	3,878	3,833	2,954	3,143	3,295	2,810
Rhino Energy	Castle Valley #4	U	509	588	946	633	-	572	997	876
			26,018	**24,307**	**24,365**	**21,718**	**19,288**	**20,051**	**16,847**	**16,568**

Source: Mine Safety and Health Administration Form 7000-2 data, 2006 - 2013

Docket No. UM ____
Exhibit PAC/308
Witness: Seth Schwartz

BEFORE THE PUBLIC UTILITY COMMISSION

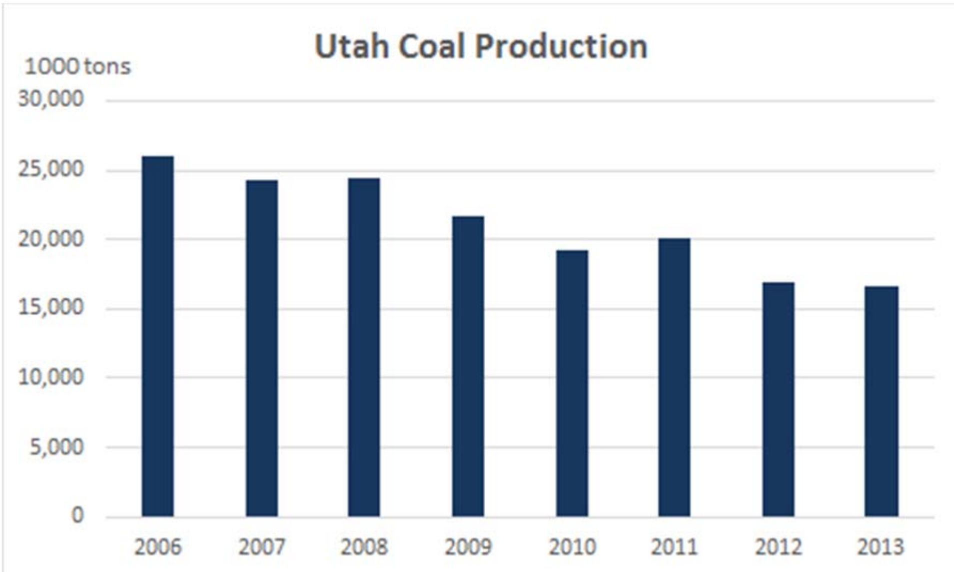
OF OREGON

PACIFICORP

Exhibit Accompanying Direct Testimony of Seth Schwartz

Utah Coal Production

December 2014



Source: Mine Safety and Health Administration Form 7000-2 data, 2006 - 2013

Docket No. UM ____
Exhibit PAC/309
Witness: Seth Schwartz

BEFORE THE PUBLIC UTILITY COMMISSION

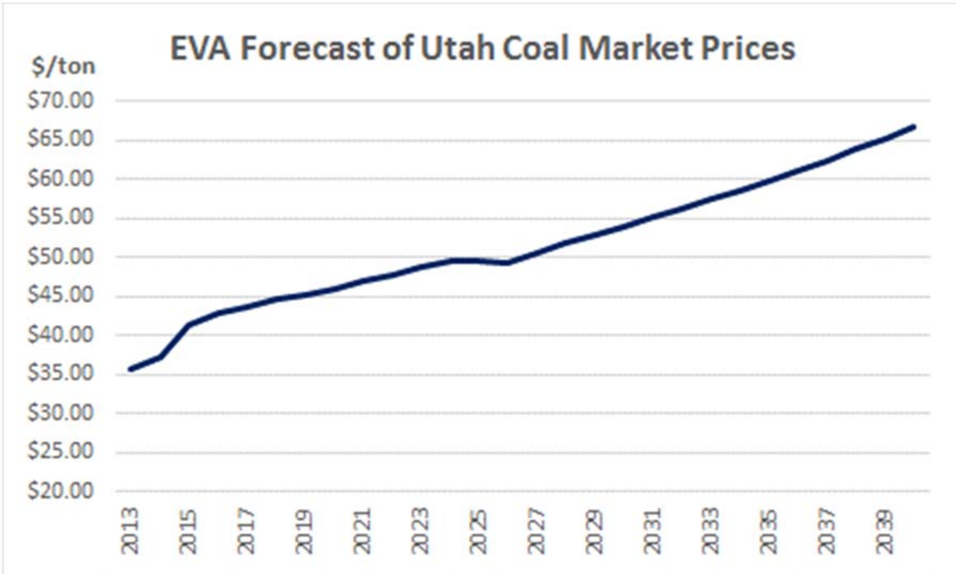
OF OREGON

PACIFICORP

Exhibit Accompanying Direct Testimony of Seth Schwartz

VA Forecast of Utah Coal Market Prices

December 2014



Source: Energy Ventures Analysis, COALCAST Long-Term Forecast Report, October 2014

Docket No. UM ____
Exhibit PAC/310
Witness: Seth Schwartz

BEFORE THE PUBLIC UTILITY COMMISSION

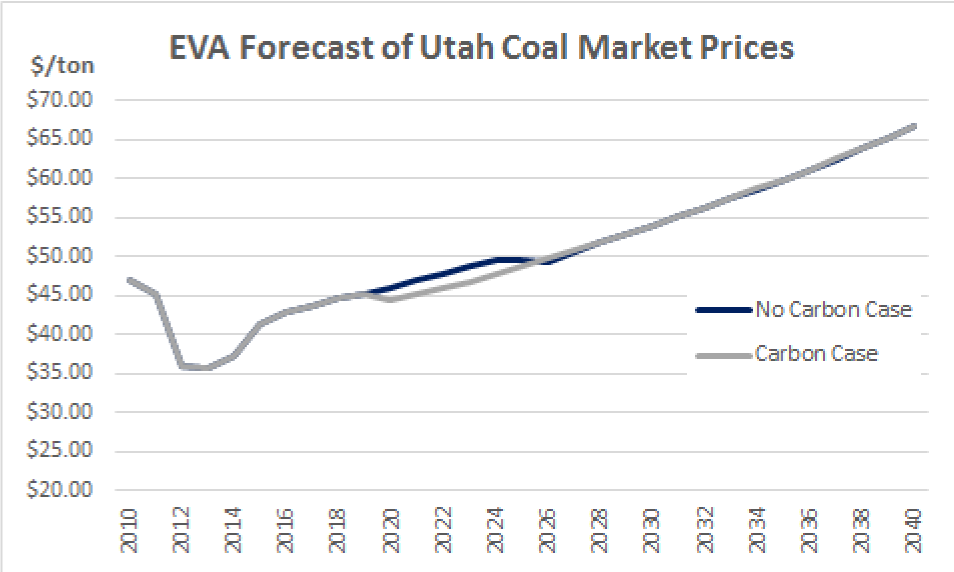
OF OREGON

PACIFICORP

Exhibit Accompanying Direct Testimony of Seth Schwartz

EVA Forecast of Utah Coal Market Prices (No Carbon)

December 2014



Source: Energy Ventures Analysis, COALCAST Long-Term Forecast Report, October 2014

Docket No. UM ____
Exhibit PAC/311
Witness: Seth Schwartz

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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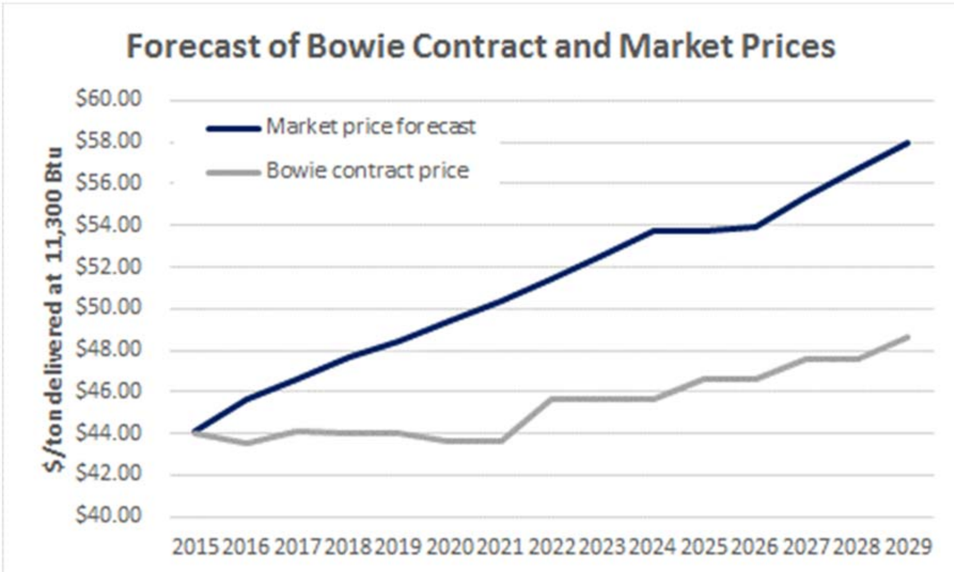
Exhibit Accompanying Direct Testimony of Seth Schwartz

Forecast of Bowie Contract and Market Prices

December 2014



Source: EVA analysis of Utah market prices delivered to Huntington and the Bowie contract