INTERWEST MINING COMPANY
A SUBSIDIARY OF PACIFICORP

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October 8, 2013

Armand Southall
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Office of Natural Resources Revenue
PO Box 25165, MS 61030A
Denver, CO 80225-0165

RE: Comments by Interwest Mining Company on Proposed Rule 30 CFR Parts 1203, 1210 and 1218, Valuation of Federal Coal for Advance Royalty Purposes and Information Collection Applicable to All Solid Mineral Leases

Introduction/Statement of Interest:

Interwest Mining Company ("Interwest") is a wholly owned subsidiary of PacifiCorp. Interwest is the managing agent for coal mining operations conducted in the states of Utah and Wyoming. In Utah, PacifiCorp owns federal coal leases operated by Energy West Mining Company that are also included in logical mining units and are produced solely by underground mining methods. In Wyoming, PacifiCorp's ownership is through Bridger Coal Company. The Bridger Mine includes primarily underground and surface coal mining operations with limited opportunistic highwall mining. These comments are submitted on behalf of PacifiCorp, Interwest, Energy West and Bridger.

Comments by Section:

The following comments are submitted on a section by section basis as set forth in the Federal Register Notice of August 12, 2013.

30 CFR Part 1218

With respect to proposed Section 1218.601(a) and the definition of "applicable continued operation year" Interwest believes that the definition as proposed is appropriate. The payment of advance royalties is intended to apply to coal that would have been produced in the respective continued operation years. Therefore, while the comments suggest that the revenue to the state governments and the federal government is less because of the

loss of the time value of revenue, it is similarly true that by using the value determined based upon prices applicable during the year in which the coal should have been produced, the state and federal governments enjoy the benefit of potential increased prices during that year. Therefore, the potential for price increases would appear to offset any potential loss in the time value of receipt of the revenue.

With respect to the definition of "comparable coal" Interwest believes that it would be appropriate to include in the regulation some identification as to what constitutes a "similar" market and what constitutes a similarity in the chemical and physical characteristics in the coal. The proposed section 1218.602(a)(1) limits the comparison to the "same region." However, coal from the same region might serve many different "markets." What is intended by the language in the definition of comparable coal for the use of the words "similar market"? Was this intended to differentiate between local consumption of the coal and coal sold into the export market? Was it intended to differentiate between coal sold for the generation of electricity and coal sold to industrial users? It is entirely possible for two different markets to exist in the same region. While the comments to the proposed regulations contain an illustration as to what was intended there is nothing in the regulations to apply that example to the definition of the "market" in actual application.

In connection with the chemical and physical characteristics of the coal, was this intended to differentiate coal sold run of mine from coal washed? Or was it intended to differentiate with respect to the sulfur, ash and BTU content? Some further definition of the term "similar" in each context would be helpful.

It also appears to Interwest that in applying the definition of "applicable continued operation year" to the definition of "spot market" would severely limit the potential sales to be used in establishing the average price in the spot market "during the last month of each applicable continued operation year." Thus, when the definition of spot market uses the term "sales transactions" those spot market sales must be determined solely on sales transactions that occurred during the last month of the applicable continued operation year? Or instead, does it consider the one year period both before and after the last month of the applicable continued operation year or, in other words, a period of sales occurring over a 23 month period? Our recent experience has seen the application limited to a one-month period. We believe it would be prudent to expand the period from the last month to the previous three months. Expanding the period from one month to three months would reduce the possibility of an anomaly in spot pricing to become the basis for advance royalty payment. ONRR would presumably have the data to accomplish this with the required reporting of Form 4400 - Sales Summary.

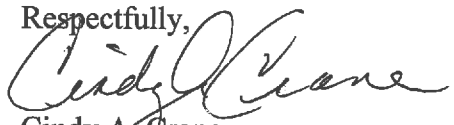
In response to the question concerning whether or not the definition of spot market price should include only prices in arm's length spot market contracts. Interwest submits that only spot market prices under arm's length contracts having an FOB mine price should be utilized. However, we acknowledge that this will further restrict the potential comparable sales and ultimately result in the application of proposed Section 1218.602(a)(2)(ii) in most circumstances. We believe that proposed Section 1218.602(a)(2)(ii) "Any other reasonable value ONRR determines" to be a criteria which is simply too broad to be applied. While Interwest's recent experience with advance royalty determinations has allowed for a reasonable determination through conversations with ONRR, a benchmark such as this may discourage such a dialogue.

Thus, the extremely restrictive definition of spot market has the potential to result in a situation where there are no truly comparable sales for use in the determination of a spot market price.

With respect to proposed Section 1218.606(b), the proposed regulation indicates that advance royalty credits paid on one lease may not be used against production royalties on another lease, but then states "unless both leases are Federal and both are within the same LMU." This would appear to authorize the credit of advance royalties among federal leases within an LMU but it does not specifically state that such a crediting would be authorized. If that is the case, then there should be a positive statement to that effect in the regulation. Similarly, under proposed subsection (d), it indicates that a refund is not available in the event of over payment of advance royalties, but that the credit can be applied "against future production royalties from that lease." If subsection (b) allows a credit among Federal leases within the same LMU should subsection (d) also allow the sharing of credits among Federal leases within the same LMU?

In conclusion, Interwest appreciates the opportunity to submit these comments on behalf of PacifiCorp and its operating coal mining subsidiaries. Should you have any questions or concerns, please feel free to contact Scott Child of my staff at 801-220-4612 or by email at Scott.Child@PacifiCorp.com.

Respectfully,



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