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IDAHO PUBLIC
UTILITIES COMMISSION

May 17, 2023

VIA ELECTRONIC DELIVERY

Jan Noriyuki
Commission Secretary
Idaho Public Utilities Commission
11331 W Chinden Blvd.
Building 8 Suite 201A
Boise, ID 83714

**Re: CASE NO. PAC-E-23-09
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER
REQUESTING APPROVAL OF \$32.5 MILLON ECAM DEFERRAL**

Dear Ms. Noriyuki:

Pursuant to Commission Order No. 35740 providing public notice of the Company's Application, authorizing the processing of the Application by Modified Procedure, and establishing the procedural schedule please find Rocky Mountain Power's Reply Comments in the above referenced matter.

Informal inquiries may be directed to Mark Alder, Idaho Regulatory Manager at (801) 220-2313.

Very truly yours,

Joelle Steward
Senior Vice President of Regulation and Customer Solutions

Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION) CASE NO. PAC-E-23-09
OF ROCKY MOUNTAIN POWER)
REQUESTING APPROVAL OF \$32.5) REPLY COMMENTS OF
MILLION ECAM DEFERRAL) ROCKY MOUNTAIN POWER**

Pursuant to Rule 202.01(d) of the Rules of Procedure of the Idaho Public Utilities Commission (“Commission”) and the Commission’s April 13, 2023, Notice of Application and of Modified Procedure, Rocky Mountain Power a division of PacifiCorp (the “Company”) hereby submits reply comments in the above-referenced case.

I. BACKGROUND

1. On March 30, 2023, the Company applied for Commission authorization to adjust its rates under the Energy Cost Adjustment Mechanism (“ECAM”) and requested approval of approximately \$32.5 million in deferred costs from the deferral period beginning January 1, 2022, through December 31, 2022, with a 2.3 percent overall increase to Electric Service Schedule No. 94, Energy Cost Adjustment (“Schedule 94”).

2. On April 13, 2023, Commission Order No. 35740 provided public notice of the Company’s Application, authorized processing of the Application by Modified Procedure, and established the procedural schedule allowing persons who would like to file written comments to have until May 10, 2023, and the Company having until May 17, 2023, to file reply comments.

3. In addition to the Commission Staff, P4 Production, L.L.C. (“P4”) filed a petition to intervene and was granted intervener status in the case.

4. On May 9, 2023, P4 filed comments and on May 10, 2023, Commission Staff filed comments.

II. REPLY COMMENTS

A. Commission Staff’s Comments:

5. Staff conducted a thorough review and audit of the 2022 ECAM, which involved multiple production requests, an on-site visit to the Company facilities in Salt Lake City to meet with the Fuel Resources group, and also an on-site visit to Portland to meet with the Company’s Net Power Costs (“NPC”) group. Based on their findings, Staff is recommending that the Commission approve the 2022 ECAM deferral balance and approve the proposed Schedule 94 rate. However, Staff also recommends the Commission defer its decision on the prudence of 2022 NPC until an investigation is completed into the Company’s ability to economically dispatch its coal plants. Staff suggests that the Company provide a report within six months, which should include a comprehensive assessment of the Company’s dispatch of its coal plants. The report should include details of the Company’s forecasted load and its plan to meet this load requirement, a timeline of events leading to coal shortages and the inability to dispatch coal plants, a list of issues that resulted in a significant increase in NPC, documentation of the Company’s awareness of the shortfalls, alternative solutions considered, and the Company’s proposed actions for the future to address these challenges effectively. Staff requests the authority to make adjustments to the recovery of actual NPC until the next ECAM filing, if it is determined that the Company was not prudent in its management of coal supply.

6. Staff also states they were made aware of coal dispatch issues at the Jim Bridger plant during 2022 by Idaho Power. Staff expresses deep concern that PacifiCorp did not disclose this in the Company's production request responses.

7. The Company respectfully disagrees with the necessity of a six-month investigation, as Staff has already conducted a comprehensive investigation, and the existing record provides a clear explanation of the coal supply challenges faced by the Company. PacifiCorp dispatched its coal units in 2022 in accordance with prudent utility practice, ensuring the maintenance of an adequate coal stockpile and consistent with least-cost economic dispatch principles. Moreover, the Company believes that there may be a misunderstanding regarding the coal dispatch at the Jim Bridger plant. Accordingly, the Company requests that the Commission deny Staff's request for additional process in this proceeding and approve the 2022 ECAM deferral as prudently incurred.

i) Coal Acquisition Process

8. As an initial matter, the Company believes it would be beneficial to provide an overview of its coal acquisition process before delving into the operational details of the 2022 calendar year. Staff has requested a report from the Company, outlining the forecasted 2022 load and its plan to meet this requirement at the least-cost to customers prior to the 2022 ECAM year. It is important to note that PacifiCorp operates on a least cost basis and does not rely on a weather-normalized forecast such as one prepared to set base NPC in a general rate case. It is essential to understand that each hour, day, or season presents unique conditions that differ from the weather normalized rate case forecast. These differences arise due to changes in market conditions, including market prices, load demand, hydroelectric generation, wind generation and

solar generation. Consequently, the variance between forecast and actual conditions largely accounts for the difference between forecast and actual NPC.

9. Base NPC in the ECAM was established in the Company's most recent rate case, ("2021 Rate Case").¹ The test period for this case was based on the historical twelve-month period ending December 31, 2020, with adjustments made for known and measurable changes through December 31, 2021. As determined in the 2021 Rate Case, the total-Company base NPC was set at \$1.368 billion.

10. In the 2021 Rate Case, the calendar year 2021 load forecast was an input to determine the base NPC. This load forecast was a weather-normalized projection created in the spring of 2020 but was only one of many load forecasts across time that the Company has used to forecast coal plant generation and acquire fuel in a manner that benefits customers. To better understand the Company's fuel supply planning process, a brief outline of the planning conditions are presented below.

11. PacifiCorp's goal in fuel supply planning is securing the least-cost and least-risk fuel supply for customers. To achieve this, the Company follows a comprehensive fuel supply planning process. It begins with estimating the annual and future generation forecast of the plants, considering many factors including historical usage patterns, sales and load forecasts, market prices, changes in available generation, operating lives, and reliability requirements. Subsequently, the Company then develops fuel volume, pricing, and sourcing assumptions, as well as transportation costs. If applicable, operating and capital costs for the plant are considered. In cases where a plant is supplied by a dedicated, jointly owned mine, PacifiCorp collaborates with other

¹ *In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Rates and Charges in Idaho and Approval of Proposed Electric Service Schedules and Regulations.* Docket No. PAC-E-21-07.

owners to develop a mine plan to support the long-term fueling forecast. All costs from all sources are combined and evaluated to establish a fueling plan that is least-cost and least-risk.

12. PacifiCorp negotiates with third-party suppliers to secure fuel contracts to meet its generation forecasts in a manner that is least-cost and least-risk. The Company's process for developing and negotiating these contracts considers a range of important factors, including contract term, price, volume, supplier credit worthiness, plant location or coal region, coal supply options, coal transportation options, and coal quality. It is important to note that coal contracts can vary in length and are often renewed or replaced on a rolling basis. The forecasts used for one contract may differ from those used for another contract executed on a different date. Furthermore, subsequent contracts are often negotiated during different market conditions, given the ever-changing nature of the coal market.

13. It is also important to recognize that coal quality specifications vary across different regions, and transportation costs play a significant role in the overall fuel procurement process. Moreover, PacifiCorp's coal plants are situated in diverse geographic locations throughout the western U.S. in strategic locations, typically adjacent to or near coal sources to minimize transportation costs. This diversity serves to reduce overall system risk since there may be locations where transportation, labor, or supplies may be limited for a given time yet other locations may not have those same limitations. Given these factors, PacifiCorp considers term, price, volume, and coal quality when negotiating third-party coal supply agreements and seeks to strike the optimum balance among these factors. Negotiations for bilateral coal supply agreements are specific to the individual plant, mine or mines that can serve the plant, transportation requirements, and overall coal market.

14. Coal supply contracts play a vital role in ensuring reliable and uninterrupted supply of coal will be available to fuel the Company's plants at known and predictable prices, terms, and conditions. In contrast, relying solely on spot market purchases to supply its plants poses significant risks. Relying exclusively on the spot market is an extremely risky strategy because it would expose customers to substantial and unreasonable price and supply risk, especially in the illiquid markets in which most of PacifiCorp's coal plants are located. On the other hand, multi-year contracts significantly reduce the risk to customers associated with market price volatility or fluctuations. It is also critical to emphasize that without the security of fuel supply contracts, there may be an elevated risk of fuel shortages during certain times of the year.

15. The request made by Staff for a load forecast and a corresponding planning process assumes that the Company procures all its coal purchases for the 2022 calendar year, based solely on a single forecast. However, this does not accurately reflect the Company's approach to securing coal for its power plants. PacifiCorp maintains that Staff's request for a load forecast and a specific planning process is not the most effective approach for evaluating a complex and ever-evolving planning process. During their visit to PacifiCorp's office in Salt Lake City, Staff had the opportunity to review all of the Company's coal contracts. The Staff visits to the Company offices have been done for many years, with the exception of a virtual presentations during the pandemic, and the Company appreciates the opportunity to meet with Staff in person and present the coal contracts. The Company has cooperated fully by providing Staff with all the necessary documents to assess whether the Company made prudent decisions at the time of signing those contracts, taking into account the preparation made for the 2022 fuel year.

ii) Jim Bridger Coal Supply

16. Staff claims that the Company did not disclose coal supply issues at the Jim Bridger plant in 2022, and only learned about such issues from Idaho Power Company. Based upon discussions with and information obtained from Idaho Power, Staff incorrectly speculates that PacifiCorp faced the exact same coal supply challenges that Idaho Power experienced at Jim Bridger plant in 2022. PacifiCorp did not reduce generation at the Bridger plant during 2022 due to a lack of coal supply. PacifiCorp’s minimum stockpile reliability target for 2022 was deemed to be 530,000 tons or 45 days of expected consumption of 4.3 million tons. As illustrated in Table 1 below, PacifiCorp’s inventory stockpile at Jim Bridger exceeded that target throughout 2022.

Table 1: 2022 Jim Bridger Coal Inventory

Jim Bridger Plant Inventory					2022 Tons Consumed	Beginning Inventory as Expected Days Burn	Ending Inventory as Expected Days Burn
<u>12/31/2021</u>		<u>12/31/2022</u>					
	<u>Tons</u>	<u>%</u>	<u>Tons</u>	<u>%</u>			
PacifiCorp	1,008,008	78%	718,623	90%	4,215,793	86	61
Idaho Power	276,559	22%	79,160	10%	1,885,327	54	15
Total Plant	1,284,567	100%	797,783	100%	6,101,120	76	47
<i>Note: PacifiCorp's Days Burn is calculated using Expected 2022 Consumption of 4.3 million tons. Idaho Power's Days Burn is calculated using actual 2022 consumption.</i>							

17. As 67 percent owner of the Bridger plant, PacifiCorp is responsible for supplying its ownership portion of the coal at the plant. PacifiCorp prudently managed its inventory in 2022 by beginning the year with just over one million tons of coal which equated to 78 percent of the coal at the plant. It ended the year with a supply of approximately 719,000 tons which equated to 90 percent of the coal inventory. PacifiCorp entered 2022 with enough coal to be able to draw from

its coal stockpile without placing inventory at a level that could jeopardize reliability for its customers. As shown above, PacifiCorp’s coal inventory exceeded its minimum stockpile reliability target of 45 days of inventory throughout 2022. There was no need for PacifiCorp to reduce generation at the Bridger plant in 2022 to conserve coal. Thus, PacifiCorp did not reduce generation in 2022 to conserve coal inventory at the Bridger plant. As shown in Confidential Table 2 below, the coal supply shortfall experienced at Jim Bridger did not reach a level critical enough for PacifiCorp to take measures to reduce generation in 2022.

Confidential Table 2: 2022 Jim Bridger Coal Supply (PacifiCorp Share)

Plant	Supplier	Budgeted Tons	Delivered Tons	Variance	Explanation
Bridger	Bridger Coal Company	2,653,333	2,648,039	(5,294)	
	Black Butte Coal Company	██████████	1,278,948	██████████	
		██████████	3,926,987	██████████	

18. It is important to recognize the distinction between the situations faced by PacifiCorp and Idaho Power in 2022 concerning coal supply issues and the resulting generation curtailment at the Jim Bridger plant. Through proactively managing coal supply, PacifiCorp successfully avoided the need to reduce generation to ensure an adequate coal stockpile to meet reliability standards. Specifically, PacifiCorp took the following actions to ensure an adequate coal supply at Jim Bridger for the relevant time-period:

- In August 2022, PacifiCorp directed the plant to begin using coal permitted for long-term storage. A total of 407,395 tons (shared between PacifiCorp and Idaho Power) were consumed from the long-term storage pile in 2022.

- In September 2022, PacifiCorp issued a request for proposals (RFP) to Powder River Basin (PRB) coal suppliers for future deliveries to the plant, specifically targeting deliveries for the fourth quarter of 2022 and 2023.
- In September 2022, PacifiCorp initiated discussions with Union Pacific railroad regarding the delivery of PRB coal to the plant. These discussions aimed to ensure reliable transportation and delivery of the required coal to Jim Bridger.
- PacifiCorp also embarked on a search to lease 120 coal railcars, further demonstrating its commitment to securing adequate transportation resources for coal deliveries.

19. These proactive actions ultimately led to the successful delivery of PRB coal to the Jim Bridger plant, commencing in April 2023. By taking these steps, PacifiCorp effectively managed its coal supply and ensured the availability of coal for the Jim Bridger plant and the benefit of customers. These measures highlight PacifiCorp's proactive approach to addressing the unprecedented coal supply challenges that occurred in 2022 while maintaining reliable generation. Please note that although PacifiCorp did not limit generation to conserve coal inventory at Jim Bridger in 2022, the Company did limit generation between January 2023 and April 2023 to ration coal for the summer months of 2023 when the value of Jim Bridger generation is expected to be significantly higher and power market rates are typically elevated.

20. Of note, the total installed capacity of coal and wind resources in Wyoming is greater than the transmission capacity available to move that total coal and wind generation out of the region to serve system load. Consequently, coal generation competes with wind generation for available transmission capacity and the reduction in Wyoming coal generation in calendar year 2022 is partially attributable to this dynamic. From calendar year 2021 to calendar year 2022, the generation from Company-owned Wyoming wind increased by approximately 760,000 MWh and

the generation from Company-owned Wyoming coal inversely decreased by approximately 740,000 MWh. Of that 740,000 MWh decrease in Wyoming coal generation, replaced by zero-cost fuel wind generation, Jim Bridger accounted for approximately 400,000 MWh. Additionally, the decrease in Jim Bridger fuel costs from 2021 to 2022 is \$13.5 million while the total-Company increase in PTC benefits from Wyoming wind facilities from 2021 to 2022 is \$25.2 million.

iii) Utah Coal Supply

20. PacifiCorp's coal suppliers in Utah encountered production difficulties due to various challenges in 2022, including geological, logistical, and financial issues. Mine operators saw production constraints caused by unfavorable geologic conditions, labor shortages, transportation limitations, and financing and solvency problems. In response, the coal suppliers invoked force majeure claims under coal supply agreements. Notably, the Lila Canyon mine, which produced roughly 25% of the State of Utah's coal in the last few years, stopped operations in September 2022 due to a mine fire, leading to extensive damage and reconstruction delays. Confidential Exhibit No. 4, attached to these reply comments, provides the Force Majeure claims received by PacifiCorp from the two coal suppliers to the Hunter and Huntington coal plants. Specifically, the Company received a force majeure claim from Bronco Utah Operations, LLC on June 22, 2022, and Wolverine Fuels, LLC on September 22, 2022.

21. As illustrated in Table 3 below, PacifiCorp's began 2022 with 132 days of inventory at the Utah plants based upon expected consumption of 7.0 million tons.

Table 3: 2022 Utah Plants (Hunter and Huntington) Coal Inventory

	Utah Plants Inventory		2022 Tons Consumed	Beginning Inventory as Expected Days Burn	Ending Inventory as Expected Days Burn
	<u>12/31/2021</u> Tons	<u>12/31/2022</u> Tons			
Hunter	1,243,842	514,358	3,303,195	114	47
Huntington	473,092	436,165	2,520,067	58	53
			<u>5,823,262</u>		
Rock Garden Safety Pile	817,837	298,796	519,041	100	36
Total Utah	<u>2,534,771</u>	<u>1,249,319</u>		<u>132</u>	<u>65</u>

22. PacifiCorp determined the minimum stockpile reliability target for Huntington to be 380,000 tons or approximately 45 days of expected consumption of 3.0 million tons. Similarly, PacifiCorp determined the minimum stockpile reliability target for Hunter to be 500,000 tons or approximately 45 days of expected consumption of 4.0 million tons. The data provided in Confidential Table 4 below details the impact of the force majeure claims on total 2022 coal deliveries at the Hunter and Huntington plants.

Confidential Table 4: 2022 Hunter and Huntington Plants Coal Supply

Plant	Supplier	Tons Under Contract	Tons Delivered	Variance	Explanation
Hunter	Wolverine		1,831,679		
	Bronco		727,689		
	Other		14,343	14,343	
			2,573,711		
Huntington	Wolverine		1,966,980		
Total			4,540,691		

23. It is worth highlighting that the Hunter and Huntington plants have operated by relying on coal sourced from nearby mines, and the transportation of coal has been efficiently facilitated through trucking. However, Utah plants currently lack rail infrastructure for receiving coal from other coal basins. This limitation in rail infrastructure restricts PacifiCorp’s ability to procure coal outside of the state of Utah.

24. Upon learning of the supply constraints, PacifiCorp immediately began transporting coal from the Rock Garden safety pile for consumption at the Huntington plant to compensate for reduced coal deliveries.

25. In addition, the Company began working with current suppliers to secure additional coal and exploring alternative coal sources. In the third quarter of 2022, an RFP was issued to identify new sources of coal supply, and collaboration with a co-owner of the Hunter plant resulted in the acquisition of additional coal from one of their mines.

26. Due to the force majeure events illustrated in Table 4, PacifiCorp also began reducing generation at the Hunter plant in September 2022 and at the Huntington plant in November 2022 in order to maintain the minimum stockpile reliability target of 45 days inventory. Accordingly, and based upon industry standard practice regarding the dispatch of fuel limited

resources (example - hydro), PacifiCorp calculated the dispatch price for the fuel limited Hunter and Huntington units to maintain minimum stockpile reliability coal inventories and secure availability for the benefit of customers during critical periods. The dispatch price for these units was calculated, to ensure an adequate coal stockpile, at \$50-\$70 per MWh at Hunter in September and later in November at Huntington. By the end of 2022, the price was recalculated to approximately \$90 per MWh. The higher dispatch prices ensure the optimization models do not lower inventory to unacceptable levels. PacifiCorp's decision to calculate the dispatch price based on the economics of fuel-limited resources reflect its commitment to upholding reliability standards; ensuring the availability of coal units when they are most needed. Although this calculation rendered the units less economically favorable to dispatch within the operational optimization model in late 2022, it was necessary to maintain a prudent coal stockpile level, in the aftermath of the unprecedented force majeure claims made by the units two coal suppliers, and to ensure reliability during high-demand periods.

27. Therefore, PacifiCorp maintains that the lower coal generation dispatch noted by Staff was simply reflective of prudent utility practice to maintain system reliability in the aftermath of unprecedented events that occurred in 2022 and the outcome dictated by industry standard optimization software and the CAISO market optimization software. The traders, in tandem with the optimization software, took into consideration all relevant factors in determining the economic dispatch of PacifiCorp's coal units during 2022, ensuring the most efficient and cost-effective fulfillment of system obligations. Based on the foregoing, PacifiCorp respectfully requests that the Commission deny Staff's request for additional process and approve the 2022 ECAM deferral as prudent.

iv) Economic Dispatch of Coal Plants

28. In response to Staff's request for a six-month investigation into PacifiCorp's economic dispatch of its coal units, the Company believes that such an investigation is unwarranted. PacifiCorp relies on a least cost optimization model to ensure the cost-effective fulfillment of its system obligations. This optimization model takes into consideration various factors such as load resource balance, generator characteristics, system obligations, fuel supply, and transmission limits to determine the most efficient unit dispatch schedule. Due to expected variations between input forecasts and actual real-time operating conditions, market traders use the modeled results as a guide when making decisions on how to best economically serve the system obligations. This approach enables PacifiCorp to economically meet its obligations through coal generation, other resources, or market purchases.

29. Regarding the economic dispatch of coal units in 2022, PacifiCorp's least cost optimization model and the CAISO Energy Imbalance Market (EIM) optimization model accounted for the challenges related to coal supply that were discussed above in the economic dispatch of coal generating units. The year witnessed historically low coal inventories and surging natural gas prices, necessitating increased coal purchases to meet immediate consumption needs and replenish depleted inventories.

B. P4's Comments:

30. P4 had concerns similar to those by Staff regarding the coal generation levels for 2022. Additionally, P4 has requested a detailed discussion on the costs of short-term purchases in relation to the coal expense. P4 seeks an explanation of the Company's ability to generate electricity from its coal units considering such factors as forced outages, scheduled maintenance, and operating constraints. It is important to note that the Company has already addressed these

matters in discovery responses, including the Company's response to Staff audit request 6, which has been provided to P4. In the Company's response to that data response, the Company detailed the forced and maintenance outages longer than 72 hours and derates at 50 percent or more of net capacity and longer than 72 hours.

III. CONFIDENTIAL INFORMATION

31. This filing contains information that is Confidential and/or constitutes Trade Secrets as defined by Idaho Code Section 74-101, et seq. and 48-801 and protected under IDAPA 31.01.01.067 and 31.01.01.233. Specifically, the contracted coal amounts on Table 2 and Table 4 contain Company proprietary information that could be used to its commercial disadvantage.

IV. REQUEST FOR RELIEF

32. The ECAM deferral of \$32.4 million, including interest, for calendar year 2022, was accurately calculated in compliance with previous Commission orders. The Company believes the record is complete and shows that the Company prudently managed its coal supply and dispatched its coal plants, and additional reporting is not necessary or likely to enhance the record. Based on the foregoing, the Company respectfully requests that the Commission approve this application as filed with rates effective June 1, 2023.

33. However, in the event that the Commission determines that further processes are required in this proceeding, the Company proposes not to accept Staff's proposal for a six-month investigation. Instead, the Company recommends that the Commission allow for an additional one-month for the process in this proceeding. PacifiCorp believes that an additional six-month process is unduly burdensome and unnecessary, given the clear evidence presented in this proceeding, which demonstrates the Company's efficient dispatch of its coal units, proactive handling of coal supply issues, and maintenance of an adequate coal stockpile for reliability

purposes in 2022. During this additional one-month process, the Company commits to working closely with Staff, providing any additional information requested, and granting access to any Company subject matter experts necessary to facilitate Staff's recommendation on the 2022 ECAM deferral. Following this one-month extension, the Company requests that Schedule 94 rates be effective from July 1, 2023. However, if the Commission determines that more time is required beyond this proposed one-month process, the Company requests that the Commission issue an interim order² approving the 2022 ECAM Deferral with the proposed Schedule 94 rates, effective from June 1, 2023, pending the completion of the additional process.

DATED this 17th day of May 2023.

Respectfully submitted,
ROCKY MOUNTAIN POWER



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² *Grindstone Butte Mut. Canal Co. v. Idaho Power Co.*, 98 Idaho 860, 574 P.2d 902 (1978) (“Although no statute gives explicit authority to Public Utilities Commission to enter “interim” or “temporary” orders, Commission has authority to enter such orders given statutory mandate that Commission continue to evaluate rates charged and make changes as necessary, for implied in directive of on-going investigation is power to make orders effecting rates that are temporary in nature.”).

Confidential
Exhibit No. 4

**THIS ATTACHMENT IS CONFIDENTIAL IN ITS
ENTIRETY AND IS PROVIDED UNDER SEPARATE
COVER**