



February 12, 2004

Mary Ann Wright
Utah Division of Oil, Gas & Mining
1594 W. N. Temple - Suite 1210
SLC, Utah 84114-5801

RE: January 15, 2004 meeting held with PacifiCorp.

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4007/0005
Copy Mary Ann,
Darron, Gregg, Jim*

Dear Ms. Wright:

We sincerely appreciate the opportunity we had a couple of weeks ago to meet with you, Darron Haddock, Gregg Galecki, and Jim Smith regarding the updated PHC and CHIA recently completed in conjunction with the Canyon Fuels mine. We understand the magnitude of your responsibilities and are grateful for the time you were able to give us, and for the efforts made that afternoon to further meet with your staff to answer questions they had regarding PacifiCorp's concerns.

As a result of the meeting we were pleased to learn of the position that you indicated DOGM had taken regarding the HCI ground water model presented in the latest PHC update. To confirm our understanding, you have recognized that there are significant questions related to the viability of the model and its use as a representation or interpretation of local hydrogeologic conditions. A genuine lack of data over the large modeled area can and has resulted in the creation of varying model theories between the experts on both sides of the issue. The creation of the model does not prove one theory over the other, but, it does provide a graphical representation of the HCI and mine theory.

Because the model and graphical interpretations are available, we ask that the Division take necessary precautions to ensure that the model is not considered a representation of hydrogeologic conditions without, 1) being verified through the acquisition of significant additional data, and 2) without being subject to detailed review by DOGM and PacifiCorp experts.

We further desire to express to you our position regarding the modeling effort. Although HCI and Canyon Fuels has spent a significant amount of resources developing the model based on the best available data, it is our position that the model as it currently

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stands is only one representation of conditions as HCI has interpreted them. If allowed to do so, it is our opinion that very different results could be attained with equally acceptable inputs and system parameters. Our concern in so doing is that we would only prove that the model will provide different results based on equally valid inputs, a conclusion that can already be logically reached.

It is herein formally requested that if DOGM accepts the model to any level or form, that an electronic version of the model be provided to both DOGM and PacifiCorp so that model specifics can be reviewed and understood. As with any official regulatory submittal, it is our understanding that the results must be verifiable through the opportunity for independent evaluation. It is PacifiCorps understanding that such has been the history to date. Until such an opportunity exists, we believe it prudent for DOGM to withhold further consideration of the model and any related conclusions.

In a continued effort to provide DOGM with resources available to PacifiCorp, we will be preparing an addenda to the June 2003 data submittal to DOGM including some calculations that provide additional insight into the 10 left inflows and Electric Lake water loss issues. It is anticipated that this addenda will be available sometime late February.

We again thank you for the opportunity to meet and welcome any discussion between DOGM and PacifiCorp regarding these issues.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dave Sharp".

Dave Sharp
Huntington Plant Managing Director