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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0070011
TaskID: 4759
Mine Name: HIAWATHA MINE
Title: MIDTERM COMPLETION RESPONSE

Operation Plan

Topsoil and Subsoil

Analysis:

Slopes denuded by fires and subsequent heavy rains resulted in a large quantity of soil deposited within the Hiawatha permit boundary. Much of that soil will be used by the landowner ANR, whatever remains will be protected with a berm, surveyed for quantity and placed in the topsoil stockpile (revisions to page 2-4).

Deficiencies Details:

R645-301-231.200, The statement on page 2-4 must also indicate that prior to placement in the topsoil stockpile, the substitute topsoil will be sampled for analysis of parameters outlined in Tables 3 and Table 7 of the 2008 Division Guidelines for Topsoil and Overburden.

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Reclamation Plan

Bonding and Insurance General

Analysis:

The Division initiated a Midterm Permit Review of the Hiawatha Mine Complex mining and reclamation plan on September 24, 2014 under Task ID # 4646. A review is conducted every five years between permit renewals. The initial review was completed on October 9, 2014 and found deficient according to R645-301-800. The Permittee submitted a response to the deficiency's on December 10, 2014 with updated cost sheets to support the reclamation cost estimate.

In accordance with requirements of R645-301-830 and -301-830.140 it is the Permittee's responsibility to provide detailed estimated cost sheets. The Division requires the Permittee to update the unit cost data to the current year of the review, 2014, using the appropriate approved cost data manuals. All computation sheets for demolition, earthwork, and re-vegetation must be updated and submitted to the Division so the Division can determine the required bond amount needed through 2019.

The total reclamation cost for the Hiawath Complex (sum of the direct and indirect costs) must be escalated from 2014 to

2019 (5 years) using an escalation factor of 1.9 %. This escalated cost is rounded to the nearest \$ 1,000 to determine the amount of required bond which must be posted with the Division by the Permittee.

Utilizing updated 2014 cost data, the new bond amount required by the Permittee in 2019 Dollars is \$3,928,000. The current bond posted is deficient by \$1,800,000 or 45.82%.

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Bonding Form of Bond

Analysis:

Hiawatha Coal Company holds a Collateral bond posted 05/05/10. Escrow agreement held by Bank of Utah as surety for the entire bond amount of \$2,120,000.

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Bonding Determination of Amount

Analysis:

The Permittee submitted calculations that escalated the bond amount to 2014 dollars in responses to the deficiency of Task # 4646 on December 10, 2014.

Deficiencies Details:

The Permittee must update the all the individual unit cost data used in the 2009 Midterm Permit Review reclamation cost estimate to 2014 unit costs using the 2014 R.S. Means Heavy Construction Cost Data manual and other appropriate cost data manuals. All computation sheets for demolition, earthwork and re-vegetation must be updated and submitted to the Division so the Division can determine the required bond amount needed through 2019.

The total reclamation cost for the Hiawatha (sum of the direct and indirect costs) must be escalated from 2014 to 2019 (5 years) using an escalation factor of 1.9 %.

This escalated cost is rounded to the nearest \$ 1,000 to determine the amount of required bond which must be posted with the Division by the Permittee.

Line item updates were applied to the demolition, earthwork, and re-vegetation calculation sheets, using the 2014 RS Means Heavy Construction Cost Data manual by the Division in October 2014. Utilizing updated 2014 cost data, the new bond amount required by the Permittee in 2019 Dollars is \$3,928,000. The current bond posted is deficient by \$1,800,000 or 45.82%.

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Bonding Terms and Conditions Liability Insurance

Analysis:

Hiawatha Coal Company maintains a general liability insurance coverage policy for the Hiawatha Complex through National Union Fire Insurance Company, valid through 4/14-4/15. Coverage includes damage incurred from the use of explosives is provided, general aggregate , and each occurrence coverage amounts adequate to the requirements detailed in R645-301-890 Terms of Conditions for Liability Insurance.

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