



OGMCOAL DNR &lt;ogmcoal@utah.gov&gt;

---

## Midterm Response Task ID 4759

---

**Cheryl Parker** <cherylparker@utah.gov>

Tue, Jan 6, 2015 at 8:17 AM

To: Charles.reynolds@hiawathacoal.com

Cc: OGMCOAL DNR &lt;ogmcoal@utah.gov&gt;, Steve Christensen &lt;stevechristensen@utah.gov&gt;, Joe Helfrich &lt;joe Helfrich@utah.gov&gt;

Greetings Charles,

I apologize first about my delayed response in contacting you in regards to determining the bond amount for the Midterm 2014 review.

Attached is a pdf showing my review of your submission to Midterm Response bond amount, Task ID 4759.

The key point is the Division requires an update to each line item of the sub sheets (demo, earth and veg) instead of lump escalating the totals. I have gone through and done this task, see the attached excel files. For submission of these files you can either use the attached sheets after you review them or update the sheets yourself. Whichever way you choose you will then resubmit them for the Division final review and submission into the MRP.

If you choose to update the sheets yourself, let me know if you need any of the 2014 RS means pages copied to you.

Feel free to give me a call with any questions or concerns,

Thanks

Cheryl Parker, M.S., P.E.

Mine Engineer

801-538-5286

State of Utah

DNR - Division of Oil Gas & Mining

1594 W North Temple, Suite 1210

Salt Lake City, UT 84116

---

### 2 attachments

 **4759 Midterm.pdf**  
95K

 **To\_Permittee.zip**  
319K

# TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

January 6, 2015

TO: Internal File, Charles Reynolds, PE

THRU: Joe Helfrich, Environmental Scientist III, Team Lead  
Steve Christensen, Permit Supervisor, Task Manager

FROM: Cheryl Parker, Mine Engineer, Reclamation Cost Estimate/ Bond Requirement

RE: Midterm Permit Review, Hiawatha Coal Company, Hiawatha Mine Complex, C/007/011, Task ID # 4759

## **SUMMARY:**

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%.

TECHNICAL MEMO

**TECHNICAL ANALYSIS:**

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

*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.

FINDINGS:

None

*Determination of Bond 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.

FINDINGS:

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.

**Comment [sm:]1:**

*The Division shall prescribe the form of the performance bond. The Division may allow for: a surety bond; a collateral bond; a self-bond; or a combination of any of these bonding methods.*

*Performance bond liability shall be for the duration of the surface coal mining and reclamation operation and for a period which is coincident with the operator's period of extended responsibility for successful revegetation or until achievement of the reclamation requirements of the Act, regulatory programs, and permit, whichever is later.*

*With the approval of the Division, a bond may be posted and approved to guarantee specific phases of reclamation within the permit area provided the sum of phase bonds posted equals or exceeds the total amount required. The scope of work to be guaranteed and the liability assumed under each phase bond shall be specified in detail.*

*Isolated and clearly defined portions of the permit area requiring extended liability may be separated from the original area and bonded separately with the approval of the Division. Such areas shall be limited in extent and not constitute a scattered, intermittent, or checkerboard pattern of failure. Access to the separated areas for remedial work may be included in the area under extended liability if deemed necessary by the Division.*

*The bond liability of the permittee shall include only those actions which he or she is obligated to take under the permit, including completion of the reclamation plan, so that the land will be capable of supporting the postmining land use approved. Implementation of an alternative postmining land use which is beyond the control of the permittee, need not be covered by the bond. Bond liability f(...*

**Comment [sm:]2:**

*The amount of the bond required for each bonded area shall: be determined by the Division; depend upon the requirements of the approved permit and reclamation plan; reflect the probable difficulty of reclamation, giving consideration to such factors as topography, geology, hydrology, and revegetation potential; and, be based on, but not limited to, the estimated cost submitted by the permit applicant.*

*The amount of the bond shall be sufficient to assure the completion of the reclamation plan if the work has to be performed by the Division in the event of forfeiture, and in no case shall the total bond initially posted for the entire area under 1 permit be less than \$10,000.*

*An operator's financial responsibility for repairing material damage resulting from subsidence may be satisfied by the liability insurance policy required in this section.*

TECHNICAL MEMO

---

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%.

*Terms and Conditions for 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.

FINDINGS:

None

**Comment [sm:]3:**

*The Division shall require the applicant to submit as part of its permit application a certificate issued by an insurance company authorized to do business in the United States certifying that the applicant has a public liability insurance policy in force for the surface coal mining and reclamation operations for which the permit is sought. Such policy shall provide for personal injury and property damage protection in an amount adequate to compensate any persons injured or property damaged as a result of the surface coal mining and reclamation operations, including the use of explosives, and who are entitled to compensation under the applicable provisions of State law. Minimum insurance coverage for bodily injury and property damage shall be \$300,000 for each occurrence and \$500,000 aggregate.*

*The policy shall be maintained in full force during the life of the permit or any renewal thereof and the liability period necessary to complete all reclamation operations under this Chapter.*

*The policy shall include a rider requiring that the insurer notify the Division whenever substantive changes are made in the policy including any termination or failure to renew.*

*The Division may accept from the applicant, in lieu of a certificate for a public liability insurance policy, satisfactory evidence from the applicant that it satisfies applicable State self-insurance requirements approved as part of the regulatory program and the requirements of this section.*