



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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September 5, 2002

Patrick Collins, Resident Agent
Mt. Nebo Scientific
P.O. Box 337
Springville, Utah 84663

Re: Midterm Permit Review, Nevada Electric Investment Company, Wellington Prep Plant, C/007/012-MT02, Outgoing File

Dear Mr. Collins:

The above-referenced amendment has been reviewed. There are deficiencies that must be adequately addressed prior to approval. A copy of our Technical Analysis is enclosed for your information. Please respond to these deficiencies by October 18, 2002.

If you have any questions, please call me at (801) 538-5325 or Gregg at (801) 538-5260.

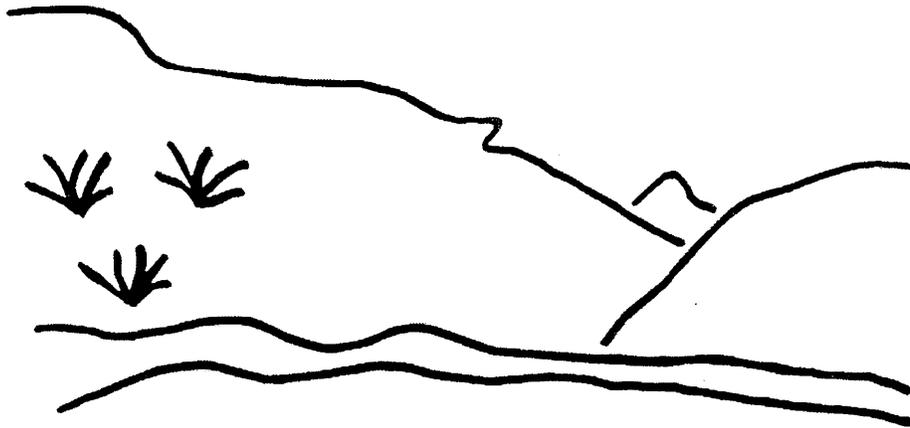
Sincerely,

A handwritten signature in black ink that reads "Daron R. Haddock".

Daron R. Haddock
Permit Supervisor

an
Enclosure
cc: Price Field Office
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State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Wellington Prep Plant
Midterm Permit Review
C/007/012-MT02
Technical Analysis
August 27, 2002

TECHNICAL ANALYSIS

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The Division regulates the Surface Mining Control and Reclamation Act of 1977(SMCRA). When mines submit a Permit Application Package or an amendment to their Mining and Reclamation Plan, the Division reviews the proposal for conformance to the R645-Coal Mining Rules. This Technical Analysis is such a review. Regardless of these analyses, the permittee must comply with the minimum regulatory requirements as established by SMCRA.

Readers of this document must be aware that the regulatory requirements are included by reference. A complete and current copy of these regulations and a copy of the Technical Analysis and Findings Review Guide can be found at <http://ogm.utah.gov/coal>

This Technical Analysis (TA) is written as part of the permit review process. It documents the Findings that the Division has made to date regarding the application for a permit and is the basis for permitting decisions with regard to the application. The TA is broken down into logical section headings which comprise the necessary components of an application. Each section is analyzed and specific findings are then provided which indicate whether or not the application is in compliance with the requirements.

Often the first technical review of an application finds that the application contains some deficiencies. The deficiencies are discussed in the body of the TA and are identified by a regulatory reference which describes the minimum requirements. In this Technical Analysis we have summarized the deficiencies at the beginning of the document to aid in responding to them. Once all of the deficiencies have been adequately addressed, the TA will be considered final for the permitting action.

It may be that not every topic or regulatory requirement is discussed in this version of the TA. Generally only those sections are analyzed that pertain to a particular permitting action. TA's may have been completed previously and the revised information has not altered the original findings. Those sections that are not discussed in this document are generally considered to be in compliance.

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TECHNICAL ANALYSIS

INTRODUCTION

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The midterm review for the Wellington Preparation Plant facility was initiated by way of Division correspondence to Mr. Patrick D. Collins, (Resident Agent for NEICO) on June 17, 2002. The following items were chosen for review:

1. An AVS check to ensure that Ownership and Control information is current and correct.
2. A review of the plan to ensure that the requirements of all permit conditions, division orders, and notice of violation abatement plans, and permittee-initiated plan changes are appropriately incorporated into the plan document.
3. A review of the applicable portions of the permit to ensure that the plan contains commitments for application of the best technology currently available (BTCA) to prevent additional contributions of suspended solids to stream flows outside of the permit area.
4. A review of the bond to ensure that it is in order and that the cost estimate is accurate and is escalated to the appropriate year dollars.
5. The Division will conduct a technical site visit in conjunction with the assigned compliance inspector to document the status and effectiveness of operational, reclamation, and contemporaneous reclamation practices.

On August 7, 2002 the following Division personnel conducted a field visit of the facility with Mr. Collins: Steven Demczak – Inspector; Daron Haddock – Permit Supervisor; Joe Helfrich – Biologist; Wayne Western – Engineer; and Gregg Galecki - Hydrologist. No on-site deficiencies were noted during the field inspection, however the following items need to be addressed for a satisfactory midterm review.

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INTRODUCTION

GENERAL CONTENTS

GENERAL CONTENTS

IDENTIFICATION OF INTERESTS

Regulatory Reference: 30CFR773.22; 30CFR778.13; R645-301-112

Analysis:

The ownership and control information is provided in Chapter 1 of the MRP (Mine Reclamation Plan). Mr. Collins informed the Division that there were changes in the corporate structure that were being prepared for submission to the Division. Upon receipt of this information the Division will update the MRP and the AVS.

Findings:

Information in the proposal is not adequate to meet the requirements of the General Contents section of the regulations. Prior to final approval, the applicant must supply the following information in accordance with:

R645-301-112, The updated ownership and control information needs to be provided to the Division.

VIOLATION INFORMATION

Regulatory Reference: 30CFR773.15(b); 30CFR773.23; 30CFR778.14; R645-300-132; R645-301-113

Analysis:

There are no outstanding notices of violation abatement plans for the Wellington Preparation plant facility. There have been no coal mining and reclamation operations in the name of Nevada Electric Investment Company being revoked or suspended, nor has there been a performance bond forfeited in the five years preceding this review.

Findings:

The Wellington Preparation Plant facility has met the regulatory requirements for this section (item #2) of the midterm review.

SPECIAL CONDITIONS OR STIPULATIONS TO THE PERMIT APPROVAL

Regulatory References: 30 CFR773.17; R645-300-140; R645-300-145.

Analysis:

The permit was renewed on December 10, 1999 and expires December 10, 2004. One stipulation is attached to the permit. The stipulation requires water-monitoring data to be submitted electronically into the Division's Water Quality Database. The data entry has been completed as required.

Findings:

There are no special conditions or stipulations attached to the current permit. The permittee-initiated plan changes have been incorporated into the plan document. The Wellington Preparation plant facility has met the regulatory requirements for this section (item#2) of the midterm review.

OPERATION PLAN

OPERATION PLAN

HYDROLOGIC INFORMATION

Regulatory Reference: 30 CFR Sec. 773.17, 774.13, 784.14, 784.16, 784.29, 817.41, 817.42, 817.43, 817.45, 817.49, 817.56, 817.57; R645-300-140, -300-141, -300-142, -300-143, -300-144, -300-145, -300-146, -300-147, -300-147, -300-148, -301-512, -301-514, -301-521, -301-531, -301-532, -301-533, -301-536, -301-542, -301-720, -301-731, -301-732, -301-733, -301-742, -301-743, -301-750, -301-761, -301-764.

Analysis:

Sediment control measures

A total of seven Alternate Sediment Control Areas (ASCA's) regulate the amount of sediment leaving the Disturbed Area of the permit. The six sedimentation ponds on the site also help in controlling sediment runoff from the site. All seven ASCA's were evaluated during the Technical Visit conducted on August 6, 2002, and determined to be performing adequately.

A detailed inspection of the ASCA's and sediment controls was conducted during the regular monthly inspection conducted July 28, 2002, by Steven Demczak. Modifications outlined during that inspection were addressed during the current inspection.

Sedimentation ponds.

The sediment ponds, covered under UPDES permits UTG040011-003 through 008 have illustrated only one discharge on the Division database since 1991. Until late-May early-June 2002, the ponds east of the Price River were allowed to dry up through transeaporation. In an effort to reduce air-borne dust and demonstrate use of existing water rights, the Clearwater pond, Lower Refuse basin, and Upper Refuse basin were pumped with water and allowed to fill.

In a possibly related issue, a majority of the monitoring wells surrounding these ponds have shown a drop in water level over the past 2-years of 20-25 percent, while water level elevations in wells west of the river have remained constant or risen approximately 10-15 percent. The drop in water elevation could possibly be related to the drying of the ponds. While water levels have decrease, water quality has remained constant. If the operator continues to pump water into the ponds, it will be interesting to note if there is a corresponding rise in the water elevation in the wells.

The Siaperas ditch, located on the eastern border of the property is dry for the first time in many years. An inspection of the ditch immediately adjacent to the pond showed no indication of leakage from the pond into the ditch. Inspector Steven Demczak commits to checking this during September, and on a regular basis to look for signs of seepage from the pond.

Finding:

Information provided in the MRP adequately addresses the minimum requirements of the Hydrologic Information – Sedimentation pond section of the regulations. The Wellington Preparation plant facility has met the regulatory requirements for this section (item#3) of the midterm review.

RECLAMATION PLAN

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

Determination of Bond Amount

The current bond amount for the Wellington Preparation Plant is \$4,904,000 in 1999 dollars. The current reclamation cost estimates for the site is \$4,892,353 in 2002 dollars. The Division modified the reclamation cost estimate because the Permittee's demolition work.

During the midterm review, the Division evaluated the bond. Because the bond was in 1999 dollars, the Division concluded that the bond should be escalated for five years to insure that there is adequate bond to reclaim the site in the event of bond forfeiture.

The estimated reclamation cost in 2007 dollars is \$5,622,000. Because the current cost estimate exceeds the current bond by 5 percent, the Division is requesting an increase in the bond amount at this time.

Findings:

Information in the proposal is not adequate to meet the requirements of the Reclamation Plan – Bonding and Insurance section of the regulations. Prior to final approval, the applicant must supply the following information in accordance with:

R645-301-830.410, The Division is requesting an increase in the bond amount at this time to \$5,622,000 (2007 dollars.)

Bonding Calculations

Direct Costs

Subtotal Demolition and Removal	\$335,097.00
Subtotal Backfilling and Grading	\$1,922,231.00
Subtotal Revegetation	\$1,600,995.00
Direct Costs	\$3,858,323.00

Indirect Costs

Mob/Demob	\$385,832.00	10.0%
Contingency	\$192,916.00	5.0%
Engineering Redesign	\$96,458.00	2.5%
Main Office Expense	\$262,366.00	6.8%
Project Management Fee	\$96,458.00	2.5%
Subtotal Indirect Costs	\$1,034,030.00	26.8%

Total Cost	\$4,892,353.00
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Escalation factor		0.0282
Number of years (2002 + 5)		5
Escalation	\$729,840.00	

Reclamation Cost Escalated	\$5,622,193.00
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Dollar Year 2007	
Bond Amount (rounded to nearest \$1,000)	\$5,622,000.00