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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

August 27, 2012

TO: Internal File

THRU: Steve Christensen, En Sci III, Permit Supervisor, Task Manager *SC*

FROM: Peter Hess, En Sci III, Project Lead *PHH m srs*

RE: MIDTERM REVIEW COMPLETION RESPONSE, Intermountain Power Agency, Wildcat Loadout, C/007/0033, Task ID # 4160

SUMMARY:

The Division initiated a mid-term permit review of the Wildcat Loadout mining and reclamation plan on September 29, 2011. That review was labeled Task ID # 3931.

The Division transferred the State of Utah mining and reclamation permit from the previous holder, UtahAmerican Energy to Intermountain Power Agency on June 27, 2011.

The Permittee submitted a response and the Division reviewed it as Task ID # 4142. Four deficiencies were identified, three of which were relative to primary road PR-5. The Permittee responded to the four deficiencies on August 20, 2012. The Division has identified this response as Task ID # 4160. This memo will address the adequacy of that response.

TECHNICAL ANALYSIS:

OPERATION PLAN **ROAD SYSTEMS AND OTHER TRANSPORTATION FACILITIES**

Road Classification System

Analysis:

Primary road #5 (PR-5) is the road which lies on the east side of the Wildcat disturbed area, beginning at Pond "A", paralleling the edge of the coal stockpile area and terminating near Pond "C". The road has always been classified as a primary road, as are all roads within the Wildcat permit area. The road was constructed directly on top of the Mancos shale, and was never surfaced.

DO-04 raised a concern about fugitive coal fines on areas of the permit where no topsoil was recovered. The deposition of coal fines was caused by airborne suspension from eighteen wheel coal trucks accessing the primary coal stockpile area via a ramp. DO-04 required the Permittee to surface approximately 570 feet of PR-5 with gravel prior to coal trucks utilizing PR-5 and the ramp to gain access to loading.

In the December 13, 2011 meeting with representatives of Intermountain Power Agency, America West Resources, LLC and the Division, it was determined that the Division would not hold the Permittee to the surfacing stipulation as long as coal stockpile volumes were limited by the sale and transport of coal from the permit area via railroad transportation (Approximately 60,000 tons).

In the Task ID # 4142 application, the Operator stated that the graveling of PR-5 did not need to be initiated until sediment pond "G" was under construction. The Division clearly stated that the graveling of the road would be completed prior to large trucks accessing the primary coal stockpile area for coal sales loading.

The operator cannot use PR-5 for heavy truck haulage/truck loading until the 570 feet of road and the ramp up to the pad are graveled.

On August 27, 2012 the Permittee submitted a revised Appendix P (Task ID # 4160) which clearly states that primary road #5 (PR-5) will be graveled prior to coal trucks accessing the main stockpile area from the East side for FEL loading. Plate 17 contains a P.E. certified road cross section for single lane graveled roads within the Wildcat permit area.

Findings:

The submitted revision (Task ID # 4160) to Appendix P, page 2, line item 5 meets the terms and conditions established by the Division to meet the stipulation required for the surfacing of road PR-5 in Division Order DO-04.

Plans and Drawings

Analysis:

Plate 17 (as contained in the Wildcat mining and reclamation plan) shows a cross section of a typical single lane paved surface road in the permit area. The plate is P.E. certified by Mr. Dan Guy, Utah registered professional engineer.

Findings:

This primary road design and certification meets the requirements of the R645 Coal Mining Rules for primary roads within a permitted coal mining area.

Performance Standards

Analysis:

The mining and reclamation plan and the proposed revisions submitted as part of this application meet the minimum regulatory requirements of the R645 Coal Mining Rules.

Findings:

The approval of this amendment will add required information relative to the surfacing of primary road PR-5, and will add additional information to show that the current bond is adequate to reclaim the Wildcat Loadout site through 2016.

Primary Road Certification

Analysis:

Mr. Dan Guy, Utah registered professional engineer, provided a P.E. certification for the primary roads within the Wildcat Loadout permit area. The certification was completed on September 24, 1990.

The Permittee will be required to provide a new certification if and when primary road PR-5 is constructed with road surfacing material.

Findings:

At this time, the current primary road certification (9/24/1990) is adequate to address the requirements of the regulations.

Other Transportation Facilities

Analysis:

Primary roads PR-1, PR-2, PR-3 and PR-4 and their associated drainage ditches are maintained according to the requirements within the R645 Coal Mining Rules.

The train loading facility and its associated conveyors, feeders, and loading points are maintained according to the R645 Coal Mining Rules.

Findings:

The Wildcat Loadout mining and reclamation plan adequately addresses the R645 Coal Mining Rules as they relate to transportation facilities.

RECLAMATION PLAN

General

Analysis:

Although no surface paving has been performed on PR-5, the Division informed the Permittee and the Operator that bonding would have to be completed prior to receiving approval of the Mid-term Permit Review analyses. The Permittee submitted a reclamation cost estimate for the 569 tons of road surfacing material estimated to be needed to surface PR-5.

The Permittee already had a sufficient bond in place to cover the removal and disposal of the road surfacing material on site.

One cost estimate sheet has been added, and a line item has been added to the total demolition cost sheet for the Wildcat Loadout demolition.

Findings:

The amount of reclamation bond currently posted to reclaim the Wildcat site is \$ 1,144,000. A line item to recover and dispose of the gravel which may be used at some point to surface primary road PR-5 has been added to the total demolition cost.

Form of Bond

Intermountain Power Agency posted a collateral bond (\$ 1, 144,000) in the form of U.S. Treasury Securities held by Wells-Fargo Bank with the Division prior to the permit transfer on June 27, 2011.

Analysis:

The type of bond posted (a collateral bond in the form of U.S. Treasury Securities) meets the requirements of R645-301-820.222 of the R645 Coal Mining Rules.

Findings:

The requirements of **R645-301-800, Bonding and Insurance** are being met by the Permittee

Determination of Bond Amount

Analysis:

The Division determined that an addition to the demolition cost total in the amount of \$ 23,187 was necessary to remove and dispose of the 569 tons of gravel determined to be necessary to surface primary road PR-5.

This amount was added to the demolition cost, bringing the total of the demolition to \$ 235,239.00.

The total of the reclamation cost estimate was thus raised by the same amount. The sum of the new direct cost and the old direct costs, plus the indirect costs, escalated to 2016 gave a final reclamation cost of \$ 1, 116,000. The bond amount posted is \$ 1,144,000.

A bond amount excess of \$ 28,000, or 2 % exists at this time.

Three new cost data sheets have been added or revised to update the bonding section of the mining and reclamation plan.

Findings:

The posted bond amount is adequate to reclaim the Wildcat site through 2016. The new cost for the removal and disposal of the PR-5 surfacing has been added to the site reclamation / demolition section.

Terms and Conditions for Liability Insurance

Analysis:

The Permittee has met all of the R645 requirements for self-insurance for the Wildcat site.

Findings:

General liability insurance coverage is provided through the self-insurance requirements mandated by R645-301-890.400, and as approved as part of the State program and R645-301-890.100 through 890.300.

RECOMMENDATION:

The Permittee has addressed the four deficiencies aired under Task ID # 4142 by submitting the revisions as Task ID # 4160.

The Division should proceed with the processing and final approval of the 2011 Midterm Permit Review information.

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