

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

OK

September 12, 2006

TO: Internal File

THRU: D. Wayne Hedberg, Permit Supervisor *DWH*

FROM: Wayne H. Western, Team Lead *WHW*

RE: 2006 Midterm Permit Review, Canyon Fuel Company, LLC, Banning Loadout, C/007/0034, Task ID #2619

SUMMARY:

In a letter dated August 29, 2006, the Division informed the Permittee that the Division would be conducting a midterm review of the Banning Loadout Permit. As part of the midterm review, the Division will review the bond to determine if the amount is adequate to ensure reclamation in the event of bond forfeiture.

TECHNICAL MEMO

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

Determination of Bond Amount

The Division reviewed the reclamation cost estimate for the Banning Loadout in September of 2006. The Division estimated that the amount needed to ensure reclamation in the event of bond forfeiture was \$238,050 in 2006 dollars. The Division escalated the bond for 5 years at 1.2% per year for five years and rounded the amount to the nearest \$1,000. The Division determined that the Permittee must post a bond for a minimum of \$235,000 in 2011 dollars.

The bond in the MRP is in 2005 dollars and was escalated to 2007 dollars not 2011 dollars. Therefore, as part of the midterm review, the Permittee must update the bond information in the MRP. The Division will supply the Permittee with a copy of the revised bond calculations in either electronic or hard copy.

The current bond is \$350,000, and is adequate to ensure reclamation in the event of bond forfeiture.

Findings:

The information in the MRP is not adequate to meet the requirements of this section of the TA and the associated regulations. As part of the midterm review, the Permittee must provide the following information in accordance with:

R645-301-830.110, R645-301-830.120 and R645-301-830.300, The Permittee must include the Division's revised reclamation cost estimate in the MRP. The Division will provide the Permittee with a copy of the revised reclamation cost estimate in either electronic or hard copy.

RECOMMENDATIONS:

The Division should require that the Permittee update the reclamation cost estimate in the MRP.

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