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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

May 3, 2011

NOZ

TO: Internal File

THRU: Ingrid Campbell, Team Lead *IC*

FROM: Peter Hess, Environmental Scientist III, Reclamation Cost Estimate Review/
Bond Adequacy *PH# m jss*

RE: Midterm Permit Review, Canyon Fuel Company, Banning Siding Loadout, Permit #C/007/0034 and Task #3813

SUMMARY:

The Division initiated a midterm permit review of the Banning Siding Loadout on April 19, 2011. The Division conducts evaluations of the adequacy of the currently posted bond amount during the midterm permit review process. This memo will address the adequacy of the \$ 350,000 surety bond which is in place to assure the reclamation of the 21.6 acres of remaining disturbance.

TECHNICAL MEMO

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

General

The amount of bond which is currently posted by the surety is \$ 350,000.00.

Form of Bond

The form of bond held by the Division to ensure the reclamation of the remaining Banning acreage is a surety bond, which is issued by the St. Paul Fire and Marine Insurance Company. The surety has an A.M. Best rating of "A+" as of December 31, 2010.

Determination of Bond Amount

A re-calculation of the reclamation cost estimate was made by Division personnel using 2011 unit costs determined from the R.S. Means Heavy Construction Cost Data catalog and the reclamation cost estimate determined during the 2006 Midterm Permit Review / Task ID # 2760.

The Direct Costs for 2011 were calculated at \$ 192,752.00.

Indirect Costs for 2011 were calculated at \$ 51,658.00.

Total Cost for 2011 is calculated to be \$ 244,410.00.

Using a 0.4 % escalation figure (for 2011) for five years (or 1.02 %), the escalation dollars are calculated at \$ 4,888.00.

The escalated reclamation cost to 2016 (next Midterm Permit Review) amounts to \$ 249,298.00.

The required bond amount (rounded to the nearest \$ 1,000) is \$ 249,000.00.

The bond amount posted by Canyon Fuel Company, LLC. Is \$ 350,000.00.

The difference between the required bond amount and the posted amount is \$ 101,000.00, which is a percent difference of 29 %.

The posted bond amount is adequate to ensure the reclamation of the Banning site through 2016.

Terms and Conditions for Liability Insurance

The Permittee maintains general liability insurance coverage through the National Union Fire Insurance Company, Pittsburgh, Pa. Coverage amounts for each occurrence and general aggregate categories meet the amounts required in R645-301-890.100 for bodily injury and property damage. Coverage for damage incurred from the use of explosives is provided.

Findings:

The amount of the posted reclamation bond (\$ 350,000.00) is adequate to ensure the reclamation of the remaining disturbance at the Banning Siding Loadout through 2016, which is the next Midterm Permit Review / reclamation cost evaluation.

RECOMMENDATIONS:

The midterm review is recommended for completion.