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SCA 007/035

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October 7, 1993

Lowell Braxton
Division of Oil, Gas & Mining
State of Utah
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Re: Sunnyside Cogeneration Associates - Permit Boundary Issue

Dear Lowell:

Pursuant to our discussions, I thought it would be helpful to provide you with some additional information regarding the operation of the Sunnyside Cogeneration Associates ("SCA") facility to assist you in responding to the Office of Surface Mining regarding the permit boundary for SCA.

The Materials Handling Contract ("Contract") dated March 15, 1991 by and between SCA and Savage Industries, Inc. ("Savage") sets forth that Savage is the entity that is responsible for bringing material to the facility. In Section 4.3, Use of ROM Coal, the Contract sets forth that run of mine ("ROM") coal received at the site must be run through the waste coal receiving hopper for sizing, crushing, etc. All material, whether it be ROM coal, or waste coal will be run through the receiving hopper and crushed and sized accordingly.

It is anticipated that the project will, in the best of circumstances, be required to purchase six to seven thousand tons of ROM coal per year. This coal will be utilized when the waste fines have been frozen and are less accessible. There may be other circumstances when ROM coal will be utilized by the SCA facility.

I have attached a schematic showing the crushing unit and the conveyor system which leads to the three hoppers. Material to be burned in the plant is run through the crushing and conveyor system and stored in the hoppers based on the B.T.U. values, etc. Then, material is fed from the hoppers through the conveyor system into the power plant and the boiler. The fluidized bed boiler requires material to be crushed to a certain specification. Therefore, it is important the SCA crushing unit size the material correctly. SCA has had some problems

in this regard and currently is retrofitting the conveyor and crushing system so that the correct size of material will be provided to the plant.

As we discussed in our meeting yesterday, the waste coal pile owned by SCA represents approximately 23 years of fuel supply on the ground. If the mine were to cease operation today, SCA would be required to transport material to its site, either mixing ROM coal with its current waste coal supply to extend the life of the pile, or purchasing additional waste materials from other sites. All these materials must go through the crushing system that SCA has on site to meet boiler specifications for fuel.

It is important to know that no matter where we obtain material, whether it be from SCA's DOGM permitted area, ROM coal or waste material from another site, this material is all directly fed into the waste coal receiving hopper and sized and crushed accordingly.

All coal fired power plants have crushing units on site to prepare fuel for boiler specifications.

I hope that this information has been of assistance to you in your analysis of the correct permit boundary. Please contact me if you have any questions in this regard.

Very truly yours,

CALLISTER, DUNCAN & NEBEKER

Brian W. Burnett

BWB/mcm
encl.
cc: David Pearce
Alane Boyd

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MATERIALS HANDLING CONTRACT

THIS MATERIALS HANDLING CONTRACT (this "Contract"), is made and entered into as of this 15th day of March, 1991 by and between SUNNYSIDE COGENERATION ASSOCIATES, a Utah joint venture with offices at Colorado Springs, Colorado ("SCA") and SAVAGE INDUSTRIES, INC., a Utah corporation, with its principal offices at Salt Lake City, Utah ("Savage").

RECITALS:

WHEREAS, SCA is a joint venture of Kaiser Power of Sunnyside, Inc. and Kaiser Systems, Inc., both Delaware corporations and wholly owned subsidiaries of Sunnyside Power Corporation, a Utah corporation;

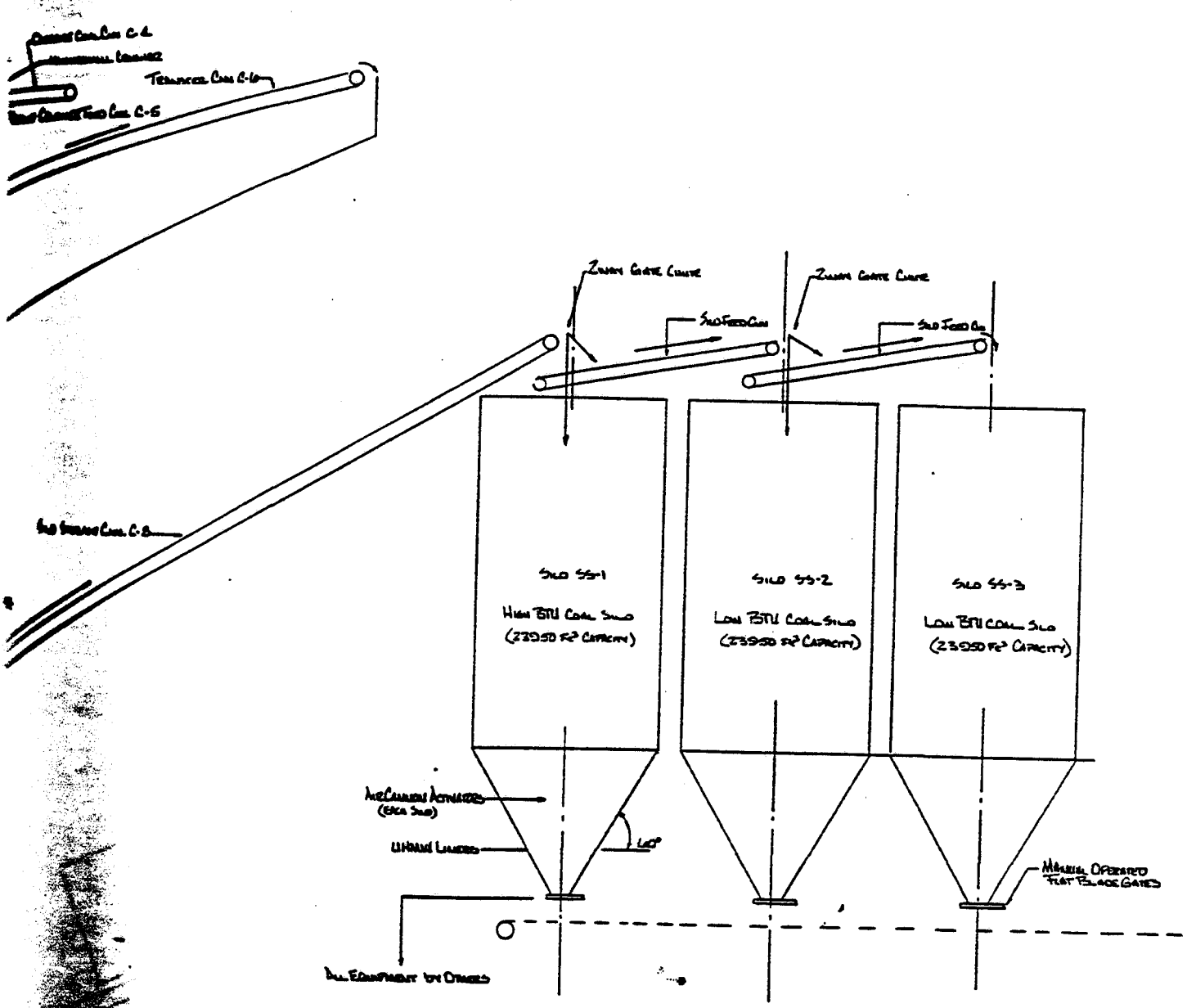
WHEREAS, SCA is engaged in the business of developing, constructing, owning and operating a waste coal-fired circulating fluidized bed cogeneration facility on property located near Sunnyside, in Carbon County, Utah (the "Project"); and

WHEREAS, in connection with the Project SCA has granted to Sunnyside Coal Company ("Sunnyside Coal") the right to deposit on the property containing SCA's waste coal piles and slurry ponds, as more particularly described in Exhibit A (the "Coal Refuse Disposal Area"), the waste coal, tailings and slurry from Sunnyside Coal's mining operations; and

Waste Coal to the storage silo or (ii) use such procedures necessary to allow the Project's requirements for fine Waste Coal to be met as shall be agreed to by SCA and Savage.

4.3 Use of ROM Coal. In the event that ROM Coal is needed by the Project, then Savage shall, semi-annually, or as needed, either (i) transport and receive the ROM Coal, dump the ROM Coal directly through the waste coal receiving hopper, size, crush and direct the ROM Coal to an open storage pile located near the radial stacking conveyer, and move the ROM Coal to a dead storage pile with a front-end loader (such ROM Coal will remain in the dead storage pile until needed, in which case it will be removed by Savage with a front-end loader) or (ii) use such procedures necessary to allow the Project's requirements for ROM Coal to be met as shall be agreed to by SCA and Savage.

4.4 Maintenance and Repair Obligations. Savage shall maintain and repair all the equipment, and provide all the spare parts and supplies necessary to perform the services described in Section 4.1 above, and shall do so in accordance with this Contract, Prudent Operating Practices and all Laws. Savage's maintenance responsibilities shall encompass all the Waste Coal handling equipment including, but not limited to, the coal receiving hopper, the receiving transfer conveyor, the scalping screen/crusher system, the crusher, the Product transfer conveyor



ITEM	QTY	UNIT	PART NUMBER	DESCRIPTION	MATERIAL

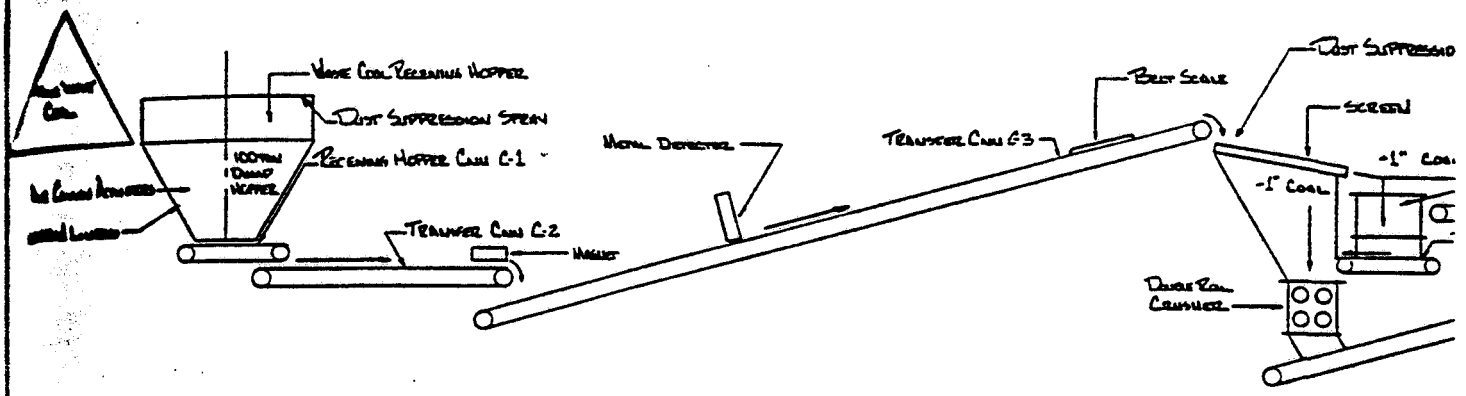
DEV NO	DESCRIPTION	DATE

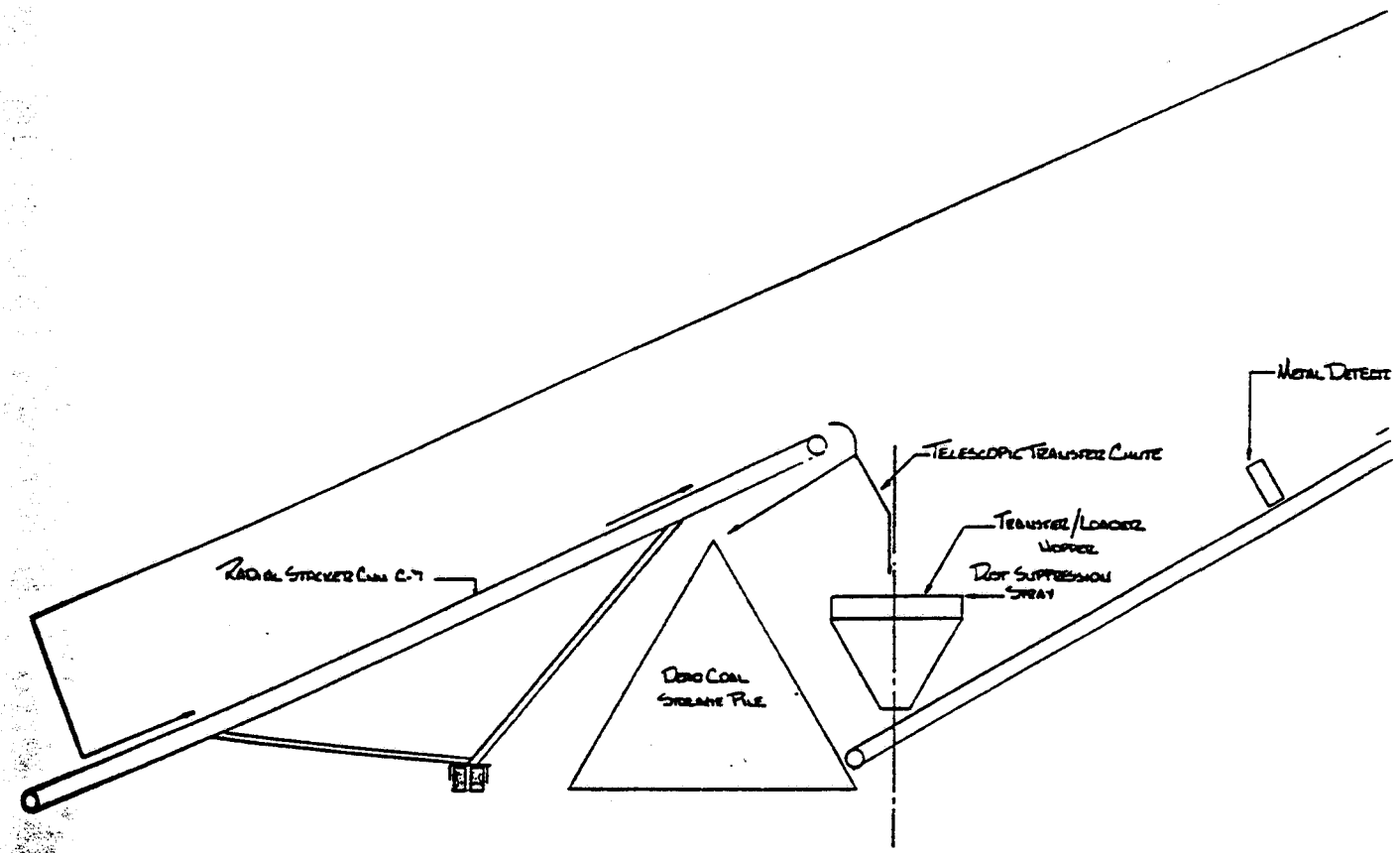
DRAWN M Wakefield 2-4-94
CHECKED
APPROVED
APPROVED
TOLERANCE

5250 SOUTH 300 WEST, SUITE 200
SALT LAKE CITY, UTAH 84107
Savage

Sunnyside Cogeneration Assoc.
Sunnyside Project
Waste Coal Handling System

SCALE NTS DRAWING NO. Concept 1 SHT 1 OF 1


Dust Suppression Spray
Belt Scale
Screen
Metal Detector
Transfer Conv C-3
Transfer Conv C-2
Inaccessible
Double Roll Crusher


Metal Detect
Telescopic Transfer Chute
Transfer/Loader Hopper
Dust Suppression Spray
Radial Stacker Conv C-7
Dead Coal Storage Pile

WASTE COAL HANDLING SYSTEM DESCRIPTION

The proposed handling system provides for receiving Waste Coal from two independent sources, including screening the material according to size, with the oversize material being crushed to a 1/4" top size, and storage in segregated, enclosed silo systems (1,800 tons total capacity), according to Btu content, (high or low), for reclamation in a proportioned blend by the plant operating system (provided by others).

The system also provides for: weighing incoming material as it is received, with printed record; removal of metals via electro-magnet, with backup metal detection of the final product; and, the ability to segregate crushed product into an open, dead-storage pile for emergency reclamation, if needed. Dust control features of the system include totally enclosed live-storage silos and transfer points, covered conveyor systems and a water-spray type dust suppression system at transfer points, as needed.

Waste Coal Receiving Hopper

Material from the Waste Coal piles will be received in an 100 ton capacity, ramped, drive-over Coal Receiving Hopper designed with slope angles to ensure the flowability of wet, sticky coal.

The hopper slopes will be lined with high molecular weight plastic sheeting ("slick sheet") to enhance flowability as well as to act as a replaceable wear surface. Air cannons will be provided, as needed, in the lower hopper walls to provide for flow activation for the fine pond material. The hopper will also be open, above grade, on one side to provide a "push-in slot" for receiving coal by dozer when needed.

Dust control will be accomplished with a water-type suppression system to "fog" the hopper volume during unloading of dry gob materials.

Receiving Hopper/Transfer Conveyors

Coal will flow from the Coal Receiving Hopper on a slow-speed, troughing conveyor (200 tph effective capacity) which will feed a transfer conveyor (250 tph effective capacity) that feeds the Scalping Screen/Crusher System. The Receiving Hopper conveyor belt will be a heavy duty 3-ply belt to resist bruising and tears at this high impact point of loading.

A self-cleaning electro-magnet will be mounted at the transfer point between the hopper conveyor and the transfer conveyor to remove metals. A metal detector will be mounted over the transfer conveyor downstream of the magnet as a protection

element for the screening/crushing system. Additionally, a belt scale system (± 1/4% accuracy) will weigh all incoming material, with printed record.

Scalping Screen/Oversize Crusher System

The Scalping Screen/Crusher System include a ball deck-type, vibrating screen which will receive material from the transfer conveyor and size and separate it at 1" size: the undersize (minus 1") going to the product crusher feed conveyor; and, the oversize (plus 1") going a Jeffrey, flex-tooth hammer mill (250 tph capacity) for reducing the oversize material to minus 1".

Crushed material from the hammer mill will also be deposited on the Product Sizing Crusher Feed Conveyor (250 tph effective capacity). This system will also feature a Oversize Crusher Bypass Circuit which will allow plus 1" material to bypass the crusher and be stacked on the ground, in the event of a crusher outage. This feature will allow the circuit to continue to produce minus 1" material for the Product Sizing Crusher, thus maintaining total production at approximately 70% of capacity.

Dust control for the crusher inlets will be a water-type suppression system.

Product Sizing Crusher

Minus 1" sized material, from the Scalping Screen, will be directed, via chutework, to the Product Sizing Crusher, a Gundlach, double-roll type unit (250 tph capacity), which will final-size the Waste Coal to a 1/4" x 0 product via a two-stage crushing process.

Dust control for the crusher inlet will be a water-type suppression system.

Product Transfer/Stacking Conveyors

Sized material from the double-roll crusher will flow onto a Product Transfer conveyor (250 tph effective capacity) which will transfer it to a Radial Stacking Conveyor (250 tph effective capacity). The product can then be conveyed either, to an open-pile for placement in dead storage, or to the Silo Storage Conveyor for transfer to the live-storage silos.

The Transfer/Loader Hopper will be mounted above the Silo Storage Conveyor. The Transfer/Loader Hopper will be lined with slick sheet, and will include air cannon flow activators.

Silo Storage/Transfer Conveyors

The Silo Storage Conveyor will be a stationary, troughing conveyor (250 tph effective capacity), which will convey product which has either been transfered directly from the Radial Stacking Conveyor, or reclaimed from the dead storage

pile, to a transfer point on top of the first of three Live-Storage Silos. A metal detector will be mounted on the Silo Storage Conveyor to provide a final screening for metals.

Transfer points on top of each silo will be semi-enclosed, with Y-gate chutes on the first two silos to direct the product into the silo, or onto the Silo Transfer Conveyors which connect to adjacent silos. The chutework will be lined with slick sheet to enhance flowability.

Dust control for the Radial Stacking Conveyor transfer point will be a extendable, chute to enclose the free fall of the product to either the dead-storage pile, or the Transfer/Loader Hopper. Dust control for the Transfer/Loader hopper will be a water-type suppression system.

Live-Storage Silos

The three Live-Storage Silos will be steel, totally enclosed cylindrical silos with cone hoppers (23,950 cubic feet total capacity each). Hopper angles will be a minimum 60 degrees to ensure free flow of material during reclamation. A manually-operated, positive shut-off gate will be included at the hopper outlet to provide for maintenance of adjacent mechanical equipment (to be provided by others).

Other silo features will include bin level indicators and air-cannon flow activators. The silos will be mounted with the outlets at the appropriate level, near grade, to provide for transfer of material by feeder systems onto the plant feed conveyor (to be provided by others).

Dust control for each silo will be a bin-vent filter system to contain dust from within, during the filling cycle.