



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

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October 28, 2002

OK

TO: Internal File

THRU: Pam Grubaugh-Littig, Permit Supervisor *agl*

FROM: Wayne H. Western, Reclamation Specialist/Engineering *WHW*

RE: Permit Renewal Sunnyside Cogeneration Associates, Sunnyside Refuse and Slurry, C/007/035-RN02

SUMMARY:

As part of the permit renewal, the Division evaluated the reclamation bond. The Division limited the bond evaluation to updating the equipment and labor costs to 2002 values along with escalation. The bond is currently escalated to 2002 dollars. The Division escalated the bond for 2.5 years because the next scheduled bond review will take place during the midterm.

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

TECHNICAL MEMO

Analysis:

Determination of Bond Amount

As part of the permit renewal, the Division evaluated the reclamation bond for the Sunnyside Congerment Associates facility. The Division updated the bond by using 2002 unit costs, equipment costs and labor costs. In addition, the Division also used updated indirect cost estimates. The Division also escalated the bond amount for 2.5 years. The Division will review the escalation for the mine during the midterm review.

The current bond for the Sunnyside Congerment facility is \$1,747,000. The Division's reclamation cost estimate for the site in 2005 dollars is \$2,485,000. Since the bond amount calculated by the Division is 42% greater than the current bond the Permittee needs to increase the bond to \$2,485,000.

Findings:

The bond amount is not considered adequate to meet the minimum requirements of the regulations. As part of the permit renewal, the Permittee must update the bond amount.

R645-301-830, The Permittee must increase the bond to \$2,485,000.

RECOMMENDATIONS:

The Division should require the Permittee to increase the bond amount from \$1,747,000 to \$2,485,000.

Bond Amount

Bonding Calculations

Direct Costs

Subtotal Demolition and Removal	\$166,295.00
Subtotal Backfilling and Grading	\$887,503.00
Subtotal Revegetation	\$774,555.00
Direct Costs	\$1,828,353.00

Indirect Costs

Mob/Demob	\$182,835.00	10.0%
Contingency	\$91,418.00	5.0%
Engineering Redesign	\$45,709.00	2.5%
Main Office Expense	\$124,328.00	6.8%
Project Mainagement Fee	\$45,709.00	2.5%
Subtotal Indirect Costs	\$489,999.00	26.8%

Total Cost \$2,318,352.00

Escalation factor 0.0282
Number of years 2.5
Escalation \$166,917.00

Reclamation Cost Escalated \$2,485,269.00

Bond Amount (rounded to nearest \$1,000) \$2,485,000.00