

**PREPARATION PLANT AND REFUSE PILE  
BOND RELEASE CALCULATIONS**

The total bond for the Preparation Plant area is \$2,706,000 as shown in Exhibit 17 of the MRP. When bond calculations were made the Prep. Plant area, the Refuse Pile area and the Loadout area were all included in the this single bond calculation. Of the total bond amount a portion, the Prep. Plant area is eligible for phase III bond release, a portion, the Refuse Pile area is eligible for phase I bond release and a portion, the Loadout area is not eligible for any bond release.

The Prep. Plant area which excludes the Refuse Pile area and the Loadout area is eligible for phase III bond release. As a result of the Post Mining Land Use Change for the Prep. Plant area the land use for the Prep. Plant area was changed to an industrial use. Price River Water Improvement District ("PRWID") has purchased the Preparation Plant area and intends to improve the site for its use. The Refuse Pile area is only eligible for phase I bond release and the Loadout area, which has not been reclaimed, is not eligible for any bond release. The entire site, with the exception of the Loadout area, has been reclaimed. Any structures remaining, with the exception of the Loadout, have been left at the request of PRWID.

In order to determine the amount of bond reduction which will be allowed, the total bond amount (\$2,706,000) must be broken out between the three areas which have differing percentages of bond reduction eligibility. These areas and their percentage of bond release eligibility are:

- The Prep. Plant area eligible for 100% bond release (Phase III)
- The Refuse Pile area eligible for 60% bond release (Phase I)
- The Loadout area eligible for 0% bond release (not yet reclaimed)

**Total Preparation Plant Bond Summarized by Major Category**

The total bond amount for the Preparation Plant from Exhibit 17 is \$2,706,000 comprised of the following subcategory totals:

Demolition	\$ 614,133	
Backfilling and Grading	\$ 420,334	
Revegetation	<u>\$ 795,983</u>	(Reveg. \$556,048, Drainage Control \$239,935)
Direct Costs	\$1,830,450	
Indirect Costs (26.8%)	<u>\$ 490,562</u>	
Total Cost (2001 Dollars)	\$2,321,012	
Escalation (3.12% / 5 years)	<u>\$ 385,388</u>	
Total Bond (2006 Dollars)	\$2,706,400	

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### Breakout of Bond Amount (Prep. Plant, Refuse Pile, Loadout)

The attached "Breakout of Bond Amount" worksheet separates the total bond cost (\$2,706,000) by the three areas (Prep. Plant, Refuse Pile, Loadout) in order to determine the amount of bond release the Permittee is eligible for. The various components of the bond by area were derived according to the following methodology:

The **breakout of the demolition** bond amount by area is a straight forward segregation of the demolition cost from Exhibit 17. The segregation of the demolition cost is shown in detail on the attached "Demolition Cost Breakout" schedule.

The **breakout of backfilling and grading and revegetation bond amount** is accomplished by an allocation of the total acres revegetated for each area as a percentage of the total acres revegetated for the entire reclamation site. Revegetated acres, rather than total acres, was used for this allocation because revegetated acres is that acreage where earthwork was performed. The allocation percentage for each area is calculated as follows:

<u>Area</u>	<u>Reveg. Acres</u>	<u>Percent</u>
Prep. Plant	18.27	40.17% (Phase III)
Refuse Pile	26.01	57.19% (Phase I)
Loadout	<u>1.20</u>	<u>2.64%</u> (expected to be completed in 2006)
Total	45.48	100.00%

The bond amount for the **indirect costs** by area is then a simple calculation whereby the total direct bond costs (demolition, backfilling and grading and revegetation) are multiplying the indirect bond cost percentage of 26.8% from Exhibit 17 to arrive at the indirect bond costs by area. This calculation results in a bond cost by area in 2001 dollars.

The **escalation** from Exhibit 17, which is 3.12% for five years, is then applied to the bond amount by area in 2001 dollars resulting in a bond amount by area in 2006 dollars.

The breakout of the total bond amount by area, utilizing the above methodology, results in the following bond amounts:

<u>Bond Area</u>	<u>Bond</u>
Prep. Plant	\$1,503,260 (Phase III)
Refuse Pile	\$1,054,103 (Phase I)
Loadout	<u>\$ 148,917</u> (expected to be completed in 2006)
Totals	\$2,706,400

### Bond Reduction Calculation

The bond amount by area in 2006 dollars is then multiplied by the percentage of bond reduction allowed which is 100% (phase III) for the Prep. Plant, 60% (phase I) for the Refuse Pile and 0% for the Loadout. The total bond amount by area, the bond reduction amount by area and the remaining bond by area is show below.

<u>Bond Area and Phase</u>	<u>Bond Amount</u>	<u>Percent Reduction</u>	<u>Bond Reduction</u>	<u>Bond Remaining</u>
Prep. Plant - Phase III	\$1,503,260	100.00%	\$1,503,260	\$ 0
Refuse Pile - Phase I	\$1,054,103	60.00%	\$ 632,534	\$421,689
Loadout - NA	<u>\$ 148,917</u>	0.00%	<u>\$ 0</u>	<u>\$148,917</u>
Totals	\$2,706,400		\$2,135,794	\$570,606

# Breakout of Bond Amount

Preparation Plant Bond from Exhibit 17 of the MRP

	Breakout by Area				
	Exhibit 17 <u>Bond Cost</u>	Phase III <u>Prep Plant</u>	Phase I <u>Refuse Pile</u>	<u>Loadout</u>	
<u>Direct Costs</u>					
Demolition	\$614,133	\$528,123	\$17,403	\$68,607	(see note 1 below)
Backfilling and Grading	\$420,334	\$168,848	\$240,389	\$11,097	(see note 2 below)
Revegetation:					
Drainage Controls	\$239,935	\$96,382	\$137,219	\$6,334	(see note 2 below)
Revegetation	<u>\$556,048</u>	<u>\$223,364</u>	<u>\$318,004</u>	<u>\$14,680</u>	(see note 2 below)
Total Direct Costs	\$1,830,450	\$1,016,717	\$713,015	\$100,718	
<u>Indirect Costs</u>					
Mob/Demob (10.0%)	\$183,046	\$101,672	\$71,302	\$10,072	
Contingency (5.0%)	\$91,523	\$50,836	\$35,651	\$5,036	
Engineering Redesign (2.5%)	\$45,761	\$25,418	\$17,825	\$2,518	
Main Office Expense (6.8%)	\$124,471	\$69,137	\$48,485	\$6,849	
Project Management Fee (2.5%)	<u>\$45,761</u>	<u>\$25,418</u>	<u>\$17,825</u>	<u>\$2,518</u>	
Subtotal Indirect Costs (26.8%)	\$490,562	\$272,481	\$191,088	\$26,993	
Costs in 2001 Dollars	\$2,321,012	\$1,289,198	\$904,103	\$127,711	
Escalation (3.12% / 5 years)	<u>\$385,388</u>	<u>\$214,062</u>	<u>\$150,120</u>	<u>\$21,206</u>	
Reclamation Cost in 2006 Dollars	<u>\$2,706,400</u>	<u>\$1,503,260</u>	<u>\$1,054,223</u>	<u>\$148,917</u>	
Bond Reduction %		100.00%	60.00%	0.00%	
Bond Reduction	\$2,135,794	\$1,503,260	\$632,534	\$0	
Remaining Bond	\$570,606	\$0	\$421,689	\$148,917	

Note 1: The demolition cost for the Willow Creek Mine Prep. Plant is detailed in Exhibit 17 of the MRP and broken down as to the Prep. Plant, Refuse Pile and Loadout on the attached "Demolition Cost Breakout" worksheet.

Note 2: The backfilling and grading, drainage controls and revegetation detailed in Exhibit 17 of the MRP has been allocated to the Prep. Plant, Refuse Pile and Loadout based on the number of acres revegetated as shown below.

<u>Area</u>	<u>Reveg. Acres</u>	<u>Percent</u>
Prep. Plant	18.27	40.17%
Refuse Pile	26.01	57.19%
Loadout	<u>1.2</u>	<u>2.64%</u>
Total	45.48	100.00%

# Demolition Cost Breakout

Preparation Plant Bond from Exhibit 17 of the MRP

	Unit Train Loadout	Refuse Pile	Prep. Plant	Total
Bond Reduction Phase	None	Phase I	Phase III	
Belt Line SC 5 001		\$17,403		\$17,403
Crusher Building 002			\$28,426	\$28,426
Road Salt Shed 003			\$1,504	\$1,504
Raw Water Pond 004			\$695	\$695
Concrete Retaining Wall 005			\$5,717	\$5,717
Raw Coal Silo Belt SC6 006			\$13,533	\$13,533
Raw Coal Silo 007			\$18,162	\$18,162
Coal Prep Plant Belt SC7 008			\$27,969	\$27,969
Thickener Overflow Pond 009			\$1,509	\$1,509
Coal Prep Plant 010			\$265,970	\$265,970
Thickener Tank 011			\$8,285	\$8,285
Rail Cars Tank 012			\$1,622	\$1,622
Belt Line SC8 and SC9 013			\$25,494	\$25,494
Sampling Building 014			\$12,620	\$12,620
Warehouse Bathhouse Shop 015			\$230	\$230
Potable Water Tank 016			\$613	\$613
Barn Canyon Storage Bld 017			\$1,427	\$1,427
Barn Canyon Substation 018			\$18,805	\$18,805
Water Treatment Plant 019			\$18,203	\$18,203
Belt Line SC 10 021			\$13,578	\$13,578
Clean Coal Tube 022			\$20,728	\$20,728
Unit Train Loadout SC 11 023	\$24,701			\$24,701
Unit Train Loadout 024	\$43,906			\$43,906
Water Pump Buildings 025			\$1,446	\$1,446
Power Poles 026			\$12,248	\$12,248
Culverts 027			\$1,802	\$1,802
Culvert Inlets 028			\$39	\$39
Guard Rails 029			\$5,200	\$5,200
Asphalt Demo 030			\$6,876	\$6,876
Hydrants 031			\$4,510	\$4,510
Combustible Materials 032			\$0	\$0
Sed Pond 011 033			\$912	\$912
Misc 034			\$10,000	\$10,000
	\$68,607	\$17,403	\$528,123	\$614,133