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# TECHNICAL MEMORANDUM

## Utah Coal Regulatory Program

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August 9, 2011

TO: Internal File

THRU: Ingrid Campbell, Biologist and Team Lead *IC*

FROM: James Owen, Engineer *JO*

RE: Midterm Review Completion Response, Sunnyside Cogeneration Associates, Star Point Waste Fuel, C/007/0042, Task ID #3871

### SUMMARY:

According to the R645 Utah Coal Rules, the Division is required to review each active permit during its term. The Division commenced a midterm review for Star Point Waste Fuel (Permitee) on April 19, 2011. As a part of this process, the Division evaluated the reclamation bond to ensure that coverage adequately addresses permit changes approved subsequent to permit approval or renewal, and to ensure that the bond amount was appropriately escalated in current-year dollars.

During the midterm review process, the following deficiency was identified:

- **R645-301-830.140 and R645-301-830.300**, *In accordance with the requirements of the Utah Coal Mining Rules, the Permitee must provide updated information in terms of "detailed estimated cost, with supporting calculations for the estimates, submitted by the permit applicant". The Permitee must update the bonding calculations and associated spreadsheets within Exhibit 830.100a of the MRP. Requirements include updated unit costs to 2011 dollars for each line item within the bonding calculation spreadsheets, updated direct and indirect costs, updated escalation years (5), updated escalation factor (1.7%), and updated escalation cost totals in 2016 dollars. The Division requests that the spreadsheets within Exhibit 830.100a be updated and submitted to the Division in hard and soft copy forms for further review.*

In July of 2011, the Division received a midterm review completion response from the Permitee. The response was meant to address the deficiencies identified during the review. This memo addresses compliance with the bonding section (R645-301.800) of the Utah Coal Rules.

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TECHNICAL ANALYSIS:

**RECLAMATION PLAN**

**BONDING AND INSURANCE REQUIREMENTS**

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

**Analysis:**

**General**

According to Division records, the Permittee has posted a collateral bond in the amount of \$1,254,000.00 in 2006 dollars. The principal holder is Treasury Securities. With the response, the Permittee submitted updated bonding information using current unit costs and escalation factor. The total direct costs were listed as \$841,184. The total indirect costs were listed at \$225,437. A 1.7% escalation factor was applied over a 5-year period for a total reclamation cost of \$1,160,000. The Division verified the bonding calculations (displayed below).

Bonding Calculations		
Revised		August 9, 2011
Bond Summary		
Direct Costs		
Subtotal Construction Management	\$64,859.00	
Subtotal Demolition and Removal	\$21,038.00	
Subtotal Backfilling and Grading	\$412,217.00	
Subtotal Revegetation	\$343,071.00	
Direct Costs	\$841,185.00	
Indirect Costs		
Mob/Demob	\$84,119.00	10.0%
Contingency	\$42,059.00	5.0%
Engineering Redesign	\$21,030.00	2.5%
Main Office Expense	\$57,201.00	6.8%
Project Mainagement Fee	\$21,030.00	2.5%
Subtotal Indirect Costs	\$225,439.00	26.8%
Total	\$1,066,624.00	
Escalation factor		0.017
Number of years		5
Escalation	\$93,798.00	
Total Mine	\$1,160,422.00	
Reclamation Cost 2016	\$1,160,422.00	
<b>Bond Amount (rounded to nearest \$1,000)</b>	<b>\$1,160,000.00</b>	
<b>Bond Posted 2011</b>	<b>\$1,254,000.00</b>	
Difference Between Cost Estimate and Bond	\$94,000.00	
Percent Difference	8.10%	

The reclamation cost estimate has been updated to current (2011) unit costs, escalation years (5) or escalation factor (1.7%). These updates were provided using appropriate resources. The Permittee now has \$94,000 of excess bond posted.

**Findings:**

Contents and information provided are sufficient enough to meet the minimum requirements of this section of the Utah Coal Mining Rules. The Permittee provided updated bonding calculations and associated spreadsheets detailing demolition, backfilling and grading, and revegetation work associated with the disturbed areas located within the permit boundary.

**RECOMMENDATIONS:**

Approval is recommended at this time.