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Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

August 11, 2017

CERTIFIED MAIL RETURN RECEIPT

9590 9402 1618 6053 1295 50

Kyle Edwards, Resident Agent
BRC Wellington, LLC
P.O. Box 401
Wellington, Utah 84542

Subject: Midterm Review Response, BRC Wellington, LLC, Wellington Dry-Coal
Cleaning Facility, Task ID #5487, C/0070045

Dear Mr. Edwards:

The Division of Oil, Gas and Mining (the Division) completed its review of the Midterm Completion Response received June 15, 2017. Deficiencies have been identified that must be addressed prior to final approval. A copy of the Division staff's analysis and corresponding deficiencies are attached.

The reclamation cost estimate that was provided has been found deficient. During the meeting that was held April 25 2017, it was agreed that the material stored on-site would be surveyed and that 50% of that volume would be added on and bonded for in order to allow for future expansion of material storage. The midterm review response that you submitted provides bond coverage for only the trucking cost associated with transporting stockpiled material to the Savage Coal Terminal at the time of final reclamation.

The Division has determined that accepting such an arrangement in determining an appropriate bond amount introduces an unacceptable risk to the Division and its ability to successfully complete reclamation of the site. The primary reasons for this are; market conditions and the quality of the material that would need to be accepted by Savage Coal Terminal. Division staff has discussed the potential transferring of the material located on the southern portion of the property with both Savage Coal Terminal and Sunnyside Cogen representatives. Based on those discussions, the Division cannot accept the proposed reclamation language relative to Savage Coal Terminal receiving the aforementioned material at final reclamation. In order for the Division to consider such an arrangement in determining adequate bond coverage, an executed agreement between Wellington Dry-Coal and Savage Coal Terminal (or any other third party) would need to be submitted, reviewed and approved by the State of Utah Attorney General's office.



The Division has calculated that an additional \$526,000 in additional bond coverage is required for the current conditions of the Wellington Dry-Coal Facility. The calculation assumes that the material currently on the property would need to be buried on-site in light of the risk discussed above. As a result, at this time the Wellington Dry-Coal Facility is under bonded. The following are options that would allow for continued compliance with the State of Utah R645 requirements:

- 1) Post an additional \$526,000 in bond coverage with the Division within 30 days of receipt of this letter.
- 2) Remove the high ash material on the southern end of the property and return to the previously approved requirement of stockpiling a maximum of 1,500 tons of material on-site within 30 days of receipt of this letter.

If either of these two options is not addressed in the established time frame, the Division may take enforcement action in the form of a Cessation Order that would halt operations at the site until a finding is made that the Wellington Dry-Coal Facility is adequately bonded.

Additionally, a response to the other outstanding deficiencies is also required within 30 days of receipt of this letter. We are available and willing to speak with you at your convenience to discuss the aforementioned issues and work towards a resolution.

Sincerely,



Daron Haddock
Coal Program Manager



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Technical Analysis and Findings

Utah Coal Regulatory Program

PID: C0070045
TaskID: 5487
Mine Name: WELLINGTON DRY-COAL CLEANING FACILITY
Title: MIDTERM COMPLETION RESPONSE

General Contents

Identification of Interest

Analysis:

The amendment meets the State of Utah R645 requirements for Identification of Interests.

The previous amendment (Task ID #5316) identified a deficiency relative to Bowie Refined Management, LLC. The Permittee was directed to clarify the relationship of Bowie Refined Management, LLC as it is not discussed/identified in Section 1.1.2. The amendment discusses that Bowie Refined Management, LLC (BRM) does not have any ownership interest in any of the entities in Figure 1-1, Organizational Structure of Companies Associated with Bowie Refined Coal, LLC and furthermore that BRM exists "only in a contractual relationship to DB RC Investments II, LLC". The amendment goes on to state that "BRM was created initially to share in expected tax credits, along with DB RC Investments II, LLC. To date, no tax credits have occurred nor are they expected to occur in the future." On page 1.4, Mr. Steve Rickmeier is identified as owning 100% of Bowie Refined Management, LLC (BRM).

Figure 1-1, Organization Structure of Companies Associated with Bowie Refined Coal, LLC does not identify BRC Wellington, LLC (BRCW). In Section 1.1.2 on page 1-2 of Chapter 1, the MRP states, BRC Wellington, LLC (hereafter referred to as "BRCW") is a subsidiary of DB RC Investments II, LLC and an affiliate of Bowie Refined Coal, LLC...".

On page 1-2 of the approved MRP, the Permittee indicates that BRC Wellington, LLC (BRCW) and Bowie Refined Coal LLC (BRC) are both limited liability companies. Additionally, on page 1-2, the MRP states, " BRC Wellington LLC (BRCW) is a subsidiary of DB RC Investments II LLC and an affiliate of Bowie Refined Coal LLC and various subsidiaries of Deutsche Bank." BRCW is further identified as the owner of the property. The name, address and telephone number for BRC Wellington LLC is provided on page 1-2 (the applicant). Bowie Refined Coal LLC (BRC) is identified as the operator with the address and telephone number provided on page 1-3 of the MRP. Additionally, BRC is the owner and/or managing member of DB RC Investments I, LLC and DB RC Investments II, LLC. The addresses and phone numbers for the officers and directors of DB RC Investments I, LLC, DB RC Investments II, LLC and BRC are the same as the applicant. The resident agent information is provided on page 1-3 of the approved MRP.

On page 1-5 of the MRP, the Permittee indicates that "Bowie Refined Coal, LLC is the legal and equitable owner of the entire 30-acre surface parcel included within the permit area". As active coal mining does not occur at the site, the mineral properties are not affected by the operation. A property ownership map of the permit and the adjacent areas is provided in Figure 5-2 of the MRP. No area within the lands to be affected by the facility is under a real-estate contract.

Beginning on the bottom of page 1-5, the MRP provides the owners of surface lands that are contiguous to the permit boundary.

The MSHA number for the site is 42-02398. On Page 1-6 of the MRP, the Permittee indicates that "the applicant neither owns nor controls, directly or indirectly, a legal equitable interest in any lands contiguous to the permit area".

The previous amendment (Task ID #5316) identified a deficiency relative to ownership percentages of Bowie Refined Coal, LLC (BRC). The Permittee was directed to revise Section 1.1.2.3 to clarify who or what entities own the remaining 10% of Bowie Refined Coal, LLC (BRC). The currently approved MRP identifies BRC as the owner and/or managing member of DB RC Investments I, LLC and DB RC Investments II, LLC. BRCW is an affiliate of BRC. On page 1-4 of the approved MRP, the Permittee indicates that Steve Rickmeier is 100% owner of BRC and that Mr. Rickmeier's ownership of BRC is divided between Rickmeier Advisers, Inc (owning 45% of BRC) and Rickmeier Partners (owning 45% of BRC). Upon review of this information, it was unclear who owned the remaining 10% of BRC. On page 1-4 of the MRP, the Permittee clarifies that Mr. Steve Rickmeier owns the remaining 10% in his own name (i.e. not under the organization of a limited liability company or some other partnership).

The previous amendment (Task ID #5316) identified another deficiency that directed the Permittee to revise Chapter 1 of the MRP to reflect any additional coal mining and reclamation operations owned or controlled by either the applicant or operator in the last five years and provide any required information as identified in R645-301-112.410 thru -112.240. Table 1-1 was re-submitted in no revision as the information has changed.

schriste

Violation Information

Analysis:

The amendment does not meet the State of Utah R645 requirements for Violation Information.

The previous technical review (Task ID #5316) identified a deficiency relative to the Violation Information provided in Section 1.1.3. The Permittee was directed to revise the Violation Information. The Permittee has revised the text on page 1-7 to reflect enforcement actions that have been initiated to Bowie Refined Coal, LLC. Additionally, the Permittee has proposed the addition of Appendix 1-6, April 2017 AVS Printout.

The second to last sentence of the revised text in Section 1.1.3 states, "It is BRCW's position that the Cessation Orders should not affect the status of the DOGM permit for the Wellington facility during the midterm review". The Division acknowledges that this statement reflects the position of the Permittee; however, it is inappropriate for such statements to be included within the Mining and Reclamation Plan (MRP). The Division is the identified regulatory authority under SMCRA in the State of Utah. It follows, that it is the Divisions discretion as to when outstanding cessation orders rise to the level of a permit block in the State of Utah. Additionally, if the sentence were to remain, it's general reference to "midterm review" is ambiguous in terms of time-line and thus could be interpreted as being applicable to any midterm review should the Division allow for this statement to remain.

The Permittee must delete the 2nd to last sentence of Section 1.1.3 on page 1-7 of the amendment that states, "It is BRCW's position that the Cessation Orders should not affect the status of the DOGM permit for the Wellington facility during the mid-term review". See analysis for further discussion.

Deficiencies Details:

The amendment does not meet the State of Utah R645 requirements for Violation Information. The following deficiency must be addressed prior to final approval:

R645-301-113: The Permittee must delete the 2nd to last sentence of Section 1.1.3 on page 1-7 of the amendment that states, "It is BRCW's position that the Cessation Orders should not affect the status of the DOGM permit for the Wellington facility during the mid-term review". See analysis for further discussion.

schriste

Environmental Resource Information

Maps Vegetation Reference Area

Analysis:

The approved MRP meets the State of Utah R645 Requirements for Vegetation reference areas, R645- 301-323. A reference area or other standard of success as approved by the Division has not been established for this site. The assigned biologist will schedule a site visit during optimal conditions (prior to August 1, 2017) with the permittee and or their consultant to establish a reference area or other vegetative standard for success. The permittee has provided a commitment in Chapter three, Page 3-12 of the MRP to determine the location and boundaries of the reference area in consultation with the Division for the dry coal facility. Appropriate portions of the MRP text and the surface facilities map (Plate 5-1) will need to be updated accordingly.

jhelfric

Operation Plan

Mining Operations and Facilities

Analysis:

The amendment meets the State of Utah R645 requirements for Mining Operations and Facilities.

A previous deficiency required the permittee to update Plate 5-1 to include locations of stockpiles, roads, and equipment storage areas currently within the Permit Area. The attached Plate 5-1 is a document from EarthFax Engineering Group, and is stamped by Richard B. White, a Registered Professional Engineer with the State of Utah. The updated Plate 5-1 contains all relevant structures currently on site including stockpiles, culverts, primary and auxiliary roads, stacking areas, facilities, belts, and equipment storage areas.

jeatchel

Air Pollution Control Plan

Analysis:

The application is not in compliance with the Air Quality, R645-301-420.

MRP Section 4.2.3 cites coordination with the Division of Air Quality. Approval Order DAQE AN 2952003-05 was updated in June 2005 by adding equipment and coal production. Item #17 of the AO requires that in-plant haul roads shall be paved and shall be periodically swept or sprayed clean as dry conditions warrant. During an on site visit February 8, 2017, the in-plant haul roads were observed to be un-paved and covered with coal fines. The AO requires that paved roads are periodically cleared of coal fines for the purpose of reducing fine coal dust generation (described as BRCW's experience in Section 5.2.7/2, on p. 5-15). The amendment states, "The surface of the southern third of the loop road consists of crushed coal," Section 5.2.1.1 p. 5-10. However, Drawing 5-1 no longer shows the primary road haul loop used by haul trucks, but does show the ancillary South loop at the perimeter of the facility. It is not clear whether this statement pertains to the primary haul loop or the ancillary loop road. An adjustment to the Air Quality Approval Order is proposed for the unpaved sections of road (Section 5.2.7.2, p. 5-15). A revision of Dwg 5-1 showing both the primary road and ancillary road is requested and confirmation of current correspondence with DAQ is requested.

The MRP Section 4.2.3 states states an air quality monitoring program was not required at the time of Permitting. Since that time, production rates have increased and the updated DAQE-AN2952003-05 now allows for a 12 month rolling production of 1,500,000 tons. R645-301-423 requires that surface coal mining and reclamation activities with projected production rates exceeding 1,000,000 tons/year will contain an air pollution control plan. Section 5.2.3, p. 5-12 states that coal processing capability is 2,500 tons/day, but depends upon client requests. Consequently, the rolling production rate for the previous 12 months will determine whether the operation is required to develop an air quality monitoring

program (R645-301-423.100) and a plan for fugitive dust control practices (R645-301-423.200). The Permittee must provide the rolling production rate for the previous 12 months to confirm the production rate. A commitment in Section 5.2.3 to provide the rolling production rate for the previous 12 months in the annual report is also requested.

The quantity of coal stored on site during the December 2016 survey was 88,538 tons (Section 5.5.3.2, p. 5-28). During the site visit on February 8, 2017, we observed that by-product stockpiles covered virtually the entire 20 acre site.

Deficiencies Details:

The application is not in compliance with the Air Quality. The following deficiency must be addressed prior to final approval:

In accordance with R645-301-422 and R645-301-423,

1. Dwg 5-1 must show the primary road haul loop through the middle of the facility, used by the haul trucks as well as the ancillary loop on the south of the facility.
2. An adjustment to the Air Quality Approval Order is proposed for the unpaved sections of road (Section 5.2.7.2, p. 5-15). A copy of the revised NOI or description of the current correspondence with DAQ is requested.
3. The Permittee must provide the rolling production rate for the previous 12 months and a commitment in Section 5.2.3 to provide the rolling production rate for the previous 12 months in the annual report.

pburton

Coal Recovery

Analysis:

The amendment meets the minimum State of Utah R645 requirements for Coal Recovery.

As outlined in the State of Utah R645-301-522 and R645-301-523, the permittee provides a description of how coal is treated and recovered using the best technology currently available. Even though the facilities on site are capable of processing approximately 2,500 tons per day, it is not possible to predict how much will be cleaned and processed on an annual basis since all of the coal on site is processed in response to client requests.

jeatchel

Topsoil and Subsoil

Analysis:

The Permittee has not met the requirements of soil salvage timing, R645-301-232.600.

During an on site visit 5/3/2017, a 0.637 acre area of unrecovered topsoil was sampled for analysis. This area is shown on Dwg 5-1 on the East side of the property between two ditches reporting to the East pond and extending eastward to the boundary fence (the former location of the topsoil storage pile). The results from the sampling were received on June 14, 2017 and forwarded to Kyle Edwards with the following comment: Below 6 inches, the analysis indicates that there is an increase in salinity, pH and accumulation of calcium, which was noted as streaks of gypsum. I conclude that the surface six inches, which also had numerous roots, is topsoil. The sampling is described in Inspection Report 5840 and photographs taken on the sampling date were filed under 5032017. Salvage of six inches of soil from this 0.637 acre area would generate 513 CY of topsoil. This is a more than is currently stored in one of the topsoil piles at the site. There is very minimal soil salvaged at the site and it could easily be collected. However, the Permittee prefers to protect this resource in place (personal communication during the inspection, 5/3/2017) and will protect the soils in situ with signs. The MRP (Chap 2 and Dwg 5-1) should be updated accordingly.

The Section 2.3.1.4 describes the storage of approximately 1,302 cu yds of topsoil in two stockpiles at the site. Stockpile locations are shown on Plate 5-1. The stockpiles were observed during a site visit on May 3, 2017.

Undisturbed topsoil is also located along the West fenceline. A portion of this area is being used as a supply yard. The supply storage is currently confined to a small area and has not affected the soil with oil or grease or traffic. The supply storage along the West boundary should be restricted from further expansion and the area should also be signed as 'in situ' topsoil storage.

Deficiencies Details:

The Permittee has not met the requirements of soil salvage. The following deficiency must be addressed prior to final approval:

R645-301-232.600,

1. The MRP Chap 2 and Dwg 5-1 must be updated to reference the topsoil storage 'in situ' from the triangle of soil bounded by two ditches East to the permit fence (0.637 acres).

2. The supply storage along the West boundary should be restricted from further expansion and the area along the West fenceline should also be signed as 'in situ' topsoil storage.

pburton

Road Systems Classification

Analysis:

The amendment meets the minimum State of Utah R645 requirements for Road Systems Classification.

A previous deficiency required the permittee to update Plate 5-1 to include locations of all roads currently within the Permit Area. The attached Plate 5-1 is a document from EarthFax Engineering Group, and is stamped by Richard B. White, a Registered Professional Engineer with the State of Utah. The updated Plate 5-1 contains all relevant structures currently on site including stockpiles, culverts, primary and auxiliary roads, stacking areas, facilities, belts, and equipment storage areas, and adequately documents all roads on site to the satisfaction of this requirement.

jeatchel

Road System Plans and Drawings

Analysis:

The amendment meets the minimum State of Utah R645 requirements for Road System Plans and Drawings.

A previous deficiency required the permittee to provide a detailed description of all primary roads complete with cross section plans. Narrative in 5.3.4.3 provides a detailed description of the characteristics of the roads on the permit area. The access road is paved, but aside from that all other roads consist of compacted 2-inch minus material. A typical cross section of the roadways is provided in figure 5-3 of the application. All roads have been certified by a professional engineer as meeting requirements of R645-301-534.200 and R645-301-742.420.

jeatchel

Road System Certification

Analysis:

The amendment meets the minimum State of Utah R645 requirements for Road System Certification.

A previous deficiency required the permittee to provide a detailed description of all primary roads complete with professional engineer stamped plans and cross sections. Narrative in 5.3.4.3 provides a detailed description of the characteristics of the roads on the permit area. The access road is paved, but aside from that all other roads consist of compacted 2-inch minus material. A typical cross section of the roadways is provided in figure 5-3 of the application. All roads have been certified by a professional engineer as meeting requirements of R645-301-534.200 and R645-301-742.420, and a signed P.E. stamped copy of the plans is included.

jeatchel

Hydrologic Ground Water Monitoring

Analysis:

This section of the MRP meets the State of Utah R645 requirements for Groundwater Monitoring, R645-301-731.200. Expansion of the site for high ash coal storage resulted in Approximately 40% of the current disturbed area being located below or down gradient from the groundwater monitoring well (MW-1) shown on figure 7-2 of chapter 7.

Continued monitoring from this well would not detect any potential impacts from the down gradient portion of mining operations. The Division and the permittee determined that ground water monitoring is not required at this site as the ground water table is located below an impermeable shale layer and the surface run-off is contained by two sediment ponds.

jhelfric

Hydrologic Acid and Toxic forming Materials

Analysis:

The application does not meet the requirements of the notification requirements of Temporary Cessation R645-301-515.322 for notification of monitoring Acid-Toxic Forming Materials, R645-301-731.300.

The MRP states that coal and (and by product) is stored at the facility is dependent upon client decisions (p. 5-16). Coal (and by-product) that remains on site 30 days after the site has been inactive, will be sampled (Section 7.3.1.3 p. 7-15). This approach meets the requirements of R645-301-515.322 (temporary cessation) and R645-301-731.311 (identification of acid/toxic forming materials). Temporary cessation notification is described in Section 5.1.5.3, p. 5-7 and includes environmental monitoring which would include sampling of coal and refuse (by-product) piles.

The application states that notification to be provided to the Division in the event of temporary cessation (Section 5.1.5.3, p. 5-7) will include a statement of the exact tonnage cleaned in the previous month. The Division requires that the notice include a statement of the exact tonnage remaining on site during the temporary cessation. This will allow the Permittee to estimate the number of samples required for environmental monitoring to be conducted during temporary cessation as described in Sec. 7.3.1.3.

Deficiencies Details:

The application does not meet the Temporary Cessation of Acid Toxic Forming materials reporting requirements. The following deficiency must be addressed prior to final approval:

R645-301-515.322 and R645-301-731.200, The temporary cessation notification will include a statement of the exact tonnage remaining on site during the temporary cessation, rather than the exact tonnage cleaned in the prior 30 days.

pburton

Support Facilities and Utility Installations

Analysis:

The amendment meets the State of Utah R645 requirements for Support Facilities and Utility Installations.

A previous deficiency required the permittee to update Plate 5-1 to include locations of stockpiles, roads, and equipment storage areas currently within the Permit Area. The attached Plate 5-1 is a document from EarthFax Engineering Group, and is stamped by Richard B. White, a Registered Professional Engineer with the State of Utah. The updated Plate 5-1 contains all relevant structures currently on site including stockpiles, culverts, primary and auxiliary roads, stacking areas, facilities, belts, and equipment storage areas.

jeatchel

Maps Facilities

Analysis:

The amendment meets the State of Utah R645 requirements for Facilities Maps.

A previous deficiency required the permittee to update Plate 5-1 to include locations of stockpiles, roads, and equipment storage areas currently within the Permit Area. The attached Plate 5-1 is a document from EarthFax Engineering Group, and is stamped by Richard B. White, a Registered Professional Engineer with the State of Utah. The updated Plate 5-1 contains all relevant structures currently on site including stockpiles, culverts, primary and auxiliary roads, stacking areas, facilities, belts, and equipment storage areas.

jeatchel

Reclamation Plan

General Requirements

Analysis:

The amendment meets the State of Utah R645 requirements for General Reclamation Requirements.

A previous deficiency required the permittee to update maps to show locations of stockpiles regardless of coal/waste classification and update reclamation costs for removal of all features associated with current mining operations regardless of post mining land use.

R645-301-413.220, R645-301-413.300: Narrative in 5.4.1 states that since the permitted area has little agricultural value, the permittee will keep some features in place in anticipation of a re-zoning of the permit area for industrial use. At a minimum, the permittee has committed to remove stockpiles and regrade, remove permanent structures and physical hazards, and spread topsoil over and revegetate the southern portion of the site.

R645-301-542.310, R645-301-542.320: Plate 5-2 provides a description of the structures and stockpiles located on site, and designates which areas will receive topsoil and be revegetated. Additionally, the map designates which structures may remain on site upon completion of mining and reclamation activities.

jbeatcel

Topsoil and Subsoil

Analysis:

Deficiencies Details:

pburton

Revegetation Standards for Success

Analysis:

The approved MRP does not meet the State of Utah R645 requirements for revegetation standards for success, R645-301-356.250: Plate 5-2 needs to be updated to include the revegetation of the disturbed areas within the permit area. The text in Chapter 3, Sections 3.4, 3.4.1 and 3.5.3 need to be revised to include the current disturbed area at the Wellington Dry Coal facility. The permit needs to include

Deficiencies Details:

The approved MRP does not meet the State of Utah R645 requirements for revegetation standards for success, R645-301-356.250: Plate 5-2 needs to be updated to include the revegetation of the disturbed areas within the permit area. The text in Chapter 3, page 3-14, Section 3.5.3 needs to be revised to include the current disturbed area at the Wellington Dry Coal facility.

jhelfric

Stabilization of Surface Areas

Analysis:

The application does not meet the requirement of stabilization of surface area, R645-301-244.

The reclamation plan describes revegetation south of the loop road (Sec. 3.4.1, p. 3-11). However, Dwg 5-1 revised 5/30/2017 omits the loop road which defines the area of revegetation as shown on Dwg 5-2. This omission on Dwg 5-1 must be corrected. The application states that 2 Tons/ac mulch will be incorporated into the soil prior to seeding the mix described in Table 3-1 (p. 3-12 and 3-21).

The application states the post mining land use will be industrial (Sec. 3.5.3) and vegetation and erosion control will be

adequate for that post mining land use. How will the ten acres north of the loop road be stabilized if there is no seeding and no mulching north of the loop road?

Deficiencies Details:

The application does not meet the stabilization of surface areas requirements. The following deficiency must be addressed prior to final approval:

R645-301-244.100, Please state how the ten acres north of the loop road will be stabilized.

pburton

Bonding Determination of Amount

Analysis:

The amendment does not meet the State of Utah R645 requirements for Determination of Bonding Amount. The following deficiencies must be addressed prior to final approval:

Deficiencies Details:

R645-301-812.200, 812.300, R645-301-830, Utah Coal Technical Directive 007 - Section 4I: Historically, the site construction regional factor for Utah cities is within 2% of the national average. Since the adjustment is not significant and varies from year to year, the Division does not use regional factors. All of the bonding calculations included in this amendment have been discounted by 15% due to regional cost adjustments for the town of Price. The Division doesn't use nor recognize regional cost adjustments. Please resubmit the bonding calculations after removing the 85% regional cost adjustments.

R645-301-812.200, 812.300, R645-301-830, Utah Coal Technical Directive 007 - Section 7D: The escalation factor used in these bonding calculations (1.007%) was the factor that was used for 2016. The Division requires that escalation factors be applied for a span of five years. The escalation factor in the submitted bonding calculations was only applied for four years. Please apply the 1.007% escalation factor for the full five years and resubmit.

R645-301-812.200, 812.300, R645-301-830, Utah Coal Technical Directive 007 - Section 7B2a: The notes in the submitted bond calculations state that the steel demolition cost will be paid for by the salvage value of the structures. As per Utah Tech 007, no salvage value for any reclamation activity should be included in the bond calculation procedures. Please resubmit bond calculations assuming a zero salvage value for all structures.

R645-301-812.200, 812.300, R645-301-830, Utah Coal Technical Directive 007 - Section 7B2b, 7B2c: The demolition costs for concrete and steel buildings are included. However, the costs for haulage and disposal of the concrete and steel are notably absent. Please resubmit bond calculations accounting for the costs of hauling and disposing of concrete and steel.

R645-301-830.140, Utah Coal Technical Directive 007 - Section 5B: The estimated volume of the coal piles on site is 141,000 cubic yards as per a survey conducted in December 2016. Please provide the Division a copy of this survey report, complete with supporting calculations so that the Division is able to verify these volumes.

R645-301-812.200, 812.300, R645-301-830, Utah Coal Technical Directive 007 - Section 7B12: As per the newest Tech 007 regulations that went into effect July 18, 2017, all bonding calculations will now require that overhead and profit costs be added to all categories of direct costs (demolition, earthwork, and revegetation). Please add overhead and profit costs to all direct costs in your bond calculation revisions.

R645-301-830.200, R645-301-812.700, and R645-301-812.300: Narrative in section 5.5.3.2 states that upon reclamation the owner of the Savage Coal Terminal indicated that they would accept residual coal at no cost. The Division is concerned that such an arrangement is subject to future market conditions as well as the quality/marketability of the material to be accepted by Savage Coal Terminal. In order for the Division to recognize this agreement, relative to the amount of required reclamation bond, an executed contract between Wellington Dry Coal and Savage Coal Terminal would be necessary. The contract would need to be approved by the State of Utah Attorney General Office as well as the Division in order to insure that final reclamation could be accomplished in the future regardless of the aforementioned variables. Until such an agreement has been provided and accepted by the Division, the Permittee must bond for the full cost of disposal of all residual coal upon reclamation. Keep in mind that it is possible that Savage Coal Terminal may have to increase the amount of their posted reclamation bond in order to account for the increased volume from Wellington Dry Coal. Additionally, it is more than likely that Savage Coal Terminal would not be willing to

receive any waste coal, uncleaned coal, and/or high ash product from Wellington Dry Coal that may be present upon reclamation. Under those circumstances, the disposal of any waste coal on the permit area is the sole responsibility of Wellington Dry Coal, and the posted bond must reflect this.

The current posted bond amount on file for Wellington Dry Coal is \$206,000, which is predicated on language in the original MRP claiming the possibility that "...1,500 tons of coal will exist on site prior to reclamation." Since there now exists 95,000 tons on site (as per a December 2016 survey), the current bond is grossly inadequate and must be updated to account for this increase.

In the State of Utah R645-301-812.700 rules, it clarifies that operating without adequate bond coverage is a violation of the conditions upon which the permit was issued. Further, in R645-301-830.200 it states that the amount of the posted bond must be sufficient to assure the completion of the reclamation plan if the work has to be performed by the Division in the event of forfeiture.

In the event that Savage (or any other entity) is unwilling to accept the 95,000 tons of coal, the Division would be responsible to fully reclaim the permitted area, which would necessarily require burying the coal on site. In response to this, a comprehensive bond analysis was performed by the Division and it was determined that the cost to fully reclaim the site in the event of forfeiture was calculated to be \$732,000 dollars. Consequently, the Permittee must post additional bond to account for the increased inventory or decrease the cost liability by removing the 95,000 tons of coal from the permitted area.

jeatchel