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

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March 8, 2000

TO: Internal File

THRU: Daron Haddock, Permit Supervisor DRH

FROM: Robert Davidson, Soils Reclamation Specialist RAD

RE: Trail Mountain Bond Estimate, PacifiCorp, Trail Mountain Mine, ACT/015/009

Concerns have been raised by several coal mining companies regarding recent increases in reclamation bond estimates made by the Division of Oil, Gas, and Mining. These concerns included our internal review process and other points of the bond estimation process. As a result, a bond review team was assigned the following tasks were assigned:

1. Wayne Western will recalculate the Trail Mountain Mine bond using "local costs."
2. Louis Armodt and Robert Davidson will meet with Wayne Western and review the bond estimates for math and logic accuracy.
3. Pam Grubaugh-Littig and Mary Ann Wright will review the revised bond estimate with Wayne Western.

Wayne's estimates were made using local "blue book" standardized cost and bid estimates from Nielson Construction company, Wheeler Machinery company, Hertz rental and ICM. DOGM's estimates were checked for logic and math errors. The type of machinery and job estimates appeared reasonable and logical. No math errors were found. Wayne listed type of machinery, rental costs, operational costs, operator wages, labor wages and foreman wages.

The main difference between PacifiCorp cost estimates and DOGM cost estimates is that DOGM estimates are calculated using current "blue book" quotes while PacifiCorp's estimates were made in 1984 which have been annually adjusted using an escalation correction factors. If errors were made in the original 1984 estimates, these errors will have been multiplied annually over the past 16 years, thus compounding any error differences that might exist between DOGM and PacifiCorp. However, DOGM's 2000 bond estimate is calculated at $884,739 while PacifiCorp's escalated total for the surety bond is estimated at $739,991. The difference is $144,748.

Trail Mountain Mine Bond Calculation	PacifiCorp 1984 escalated 2000 Cost $$	DOGM Blue Book Quotes 2000 Cost $$	Difference Cost $$
DIRECT COSTS			
DEMOLITION	278,891	350,394	
EARTHWORK	164,066	219,561	
RECLAMATION	97,310	62,000	
Total Direct Costs	540,267	631,955	91,688
INDIRECT COSTS			
Maintenance and Monitoring	99,808	63,196	
Contingency	64,008	63,196	
Engineering Redesign		63,196	
Startup Includes Mob/Demo		31,598	
Contract Management	35,908	31,598	
Total Indirect Costs	199,724	252,784	53,060
Total Reclamation Costs	739,991	884,739	144,748

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