

TECHNICAL MEMORANDUM

B

Utah Coal Regulatory Program

August 15, 2012

TO: Internal File

THRU: Joe Helfrich, En Sci III, Reclamation Biologist, Team Lead
Steve Christensen, En Sci III, Reclamation Hydrologist, Permit Supervisor, Task Manager *SCC*

From Peter Hess, En Sci III, Reclamation Engineer, Reclamation Cost Estimate, Bond Requirement *PHH m 8/5*

RE: MIDTERM PERMIT REVIEW, Energy West Mining Company/PacifiCorp, Trail Mountain Mine, C/015/0009, Task ID #4106

SUMMARY:

The Division initiated a Mid-term Permit Review of the Trail Mountain Mine mining and reclamation plan on June 8, 2012. The review included a requirement to re-evaluate the reclamation cost estimate and the posted reclamation bond to determine if the posted bond amount is adequate to ensure the reclamation of the site through 2017, (the date of the next mid-term permit review).

Following initiation of the MTR, the Division informed the Permittee that it was necessary to update the equipment rental costs and labor rates using the 2012 R.S. Means Heavy Construction Cost Data manual.

Following weeks of re-calculating the direct cost estimates and conferring with the Division, the Permittee submitted an updated reclamation cost estimate on August 15, 2012. The new estimate included the unit cost categories utilized to determine the demolition costs, earthwork costs and re-vegetation costs associated with 10.39 acres of disturbance.

The Trail Mountain Mine ceased secondary coal extraction activities in March of 2001. The Mine was then sealed with temporary seals and was placed into temporary cessation status.

This memo will evaluate the adequacy of the posted reclamation bond.

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

General

Analysis:

Energy West Mining Company / PacifiCorp has posted a surety bond with the Division in the amount \$ 1, 354,000 to ensure the reclamation of the 10.39 acres of disturbance associated with the Trail Mountain Mine. The amount is the result of the 2009 Midterm Permit Review, and was effective April 3, 2009.

Findings:

The Permittee posted and has maintained a sufficient bond to ensure reclamation of the Trail Mountain Mine since April 3, 2009.

Form of Bond

Analysis:

The bond in place is a surety bond, provided by the Travelers Casualty and Surety Company of America (Bond # 1039089971). The Travelers has an "A+" rating with A.M. Best.

Findings:

The surety bond posted by the Permittee meets the requirements of the R645-301-800, Coal Mining Rules.

Determination of Bond Amount

Analysis:

The re-calculated / updated reclamation cost estimate submitted by the Permittee on August 15, 2012 utilizes unit costs obtained from the 2012 R. S. Means Heavy construction Cost Data manual.

Refer to the spreadsheets submitted for demolition, earthwork and re-vegetation.

The following has been determined:

Direct Costs

Subtotal Demolition and Removal.....	\$ 369,084.77
Subtotal Backfilling and Grading.....	\$ 203,096.83

Subtotal Revegetation.....\$ 38,547.16
Total Direct Costs.....\$ 610,728.76

Indirect Costs

Mob/Demob @ 10 %.....\$ 61,072.88
Contingency @ 5 %.....\$ 30,536.44
Engineering Redesign @ 2.5 %.....\$ 15,268.22
Main Office Expense @ 6.8 %.....\$ 41,529.56
Project Management Fee @ 2.5 %.....\$ 15,268.22
Total Indirect Costs @ 26.8 %.....\$ 163,675.31

Total Cost 2012 Dollars.....\$ 774,404.06

Number of Years Until 2017 MTR.....5
Escalation Rate for 2012.....1.2 %
Escalation Rate for 5 Years = 1.012 to the Fifth Power =1.06145%
Escalation Dollars = (\$ 774,404.06) (.06145) =\$ 47,592.85
Escalated Reclamation Cost to 2017.....\$ 821,996.91
Reclamation Cost (Rounded to Nearest Thousand).....\$ 822,000.00
Bond Amount Posted.....\$ 1,354,000.00
Difference Between Posted Bond and Required Bond.....\$ 532,000.00
Percent Over or Under Bonded.....+ 39 %

Findings:

The Permittee has sufficient bond in place to ensure the complete reclamation of the Trail Mountain Mine site through 2017.

Terms and Conditions for Liability Insurance

Analysis:

Energy West Mining Company maintains a general liability policy to cover the necessary requirements for the Trail Mountain Mine. This policy is renewed annually and is due for renewal August 28, 2012. Coverage amounts for each occurrence and general aggregate are

adequate to address R645-301-890.100. Coverage for damage caused by the use of explosives is provided. The notification of cancellation clause meets the requirement of R645-301-890.300.

Findings:

The current general liability coverage for the Trail Mountain Mine meets the requirements of the R645 Coal Mining Rules enforced by the State of Utah Division of Oil, Gas and Mining.

RECOMMENDATION:

The posted bond amount is more than adequate to reclaim the 10.39 acres of disturbance associated with the Trail Mountain Mine site.

Based on review of the updated / revised reclamation cost, the Division should finalize the 2012 Midterm Permit Review process and complete the approval process.