

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

#4197
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October 2, 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 *SKC*
From: Peter Hess, En Sci III, Reclamation Engineer / Reclamation Cost Estimate / Bond *PHH km SOS*
RE: UPDATE BOND CALCULATION, Energy West Mining Company / PacifiCorp, Trail Mountain Mine, C/015/009, Task ID # 4197

SUMMARY:

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.

The Division initiated a Mid-term Permit Review of the Trail Mountain Mine mining and reclamation plan on June 8, 2012. The review included an analysis and update of the reclamation cost estimate using unit costs from the 2012 R.S. Means Heavy Construction Cost Data Manual. This was submitted by the Permittee on August 15, 2012. The new estimate was made using 2012 unit costs in the categories utilized to determine the demolition costs, the earthwork costs and the re-vegetation costs associated with 10.39 acres of disturbance. The total direct costs and the indirect costs were then escalated to 2017, which is the due date of the next midterm permit review for the Trail Mountain site.

Task ID # 4106 received a final Division approval on August 20, 2012. The Division's evaluation of the approved reclamation cost estimate determined that an excess bond amount of \$ 532,000 exists at this time. The updated reclamation cost estimate (Task ID # 4106) was determined to be \$ 822,000.00. The amount of bond posted at this time remains at \$ 1,354,000.00.

Task ID # 4197 is a permit amendment submitted by Energy West to replace the currently approved reclamation cost sheets with the reclamation cost sheets submitted on August 15, 2012 (Task ID # 4106).

Task ID # 4197 does not contain a request to reduce the amount of posted bond by the determined excess amount of \$ 532,000.00.

TECHNICAL ANALYSIS

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

General

Analysis:

Energy West Mining Company / PacifiCorp has a surety bond in place 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. This amount was determined as the amount being necessary as the result of the 2009 Midterm Permit Review. The posted bond amount became 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 information submitted as Task ID # 4197 will update the currently approved information contained in Volume 1, Chapter 3 of the approved mining and reclamation plan.

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.

The revised reclamation cost sheets with supporting data as submitted on August 15, 2012 (Task ID # 4197) were approved under Task ID # 4106 on August 20, 2012.

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 October 1, 2013. 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 Division should conditionally approve the detailed cost sheets submitted as an updated reclamation cost estimate under Task ID # 4197, pending receipt of the required number of clean copies.

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