

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

May 11, 2010

TO: Internal File

THRU: Daron Haddock, Coal Program Manager *DRH*
Angela Nance, Bond Coordinator *an*

FROM: Peter Hess, En Sci III, Engineering and Bonding *PAH hm SRS*

RE: REQUEST FOR SURETY REDUCTION for the DES-BEE-DOVE MINE / PERMIT RENEWAL, PacifiCorp, Des-Bee-Dove Mine, C/015/0017, Task ID # 3532

SUMMARY:

The Permittee is applying for a reduction in the amount of bond needed to complete the remaining phases of bond release at the Des-Bee-Dove Mine.

The bond amount required in September 2007 was calculated at \$1,169,718.00.

The Permittee submitted a letter to the Division requesting a reduction in the bond amount required based on the two dollar amounts released on April 8, 2010 (\$671,166.00).

The Division has completed the bond release inspections for the two areas involved:

- 1) The Phase 3 Area (Phase I release = \$79,832.00), and
- 2) The Haul Road (a Phase III release/property transfer to Emery County = \$591,334.00).

TECHNICAL ANALYSIS:

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Analysis:

General

Form of Bond

The type of bond currently held by the Division to ensure the remaining phases of bond release at the Des-Bee-Dove Mine is a **surety bond**, issued by the Travelers Casualty and Surety Company of America (Bond #10377512). The Travelers has an A.M. Best rating of A+ as of March 31, 2010.

Determination of Bond Amount

The amount of bond posted with the Division in 2005 amounted to \$1,837,712.00.

Following the reclamation of the mine site, a Phase I release amounting to \$ 667,994.00 was approved on February 7, 2007.

The bond amount required in September 2007 was calculated at \$ 1,169,718.00.

A Phase I bond release was also approved on February 7, 2007 for the Phase 3 Area of the mine. This amounted to a dollar amount of \$ 79,832.00.

On August 24, 1998, a Phase III bond release for the Haul Road (93.18 acres) was approved as a property transfer to Emery County (release amounted to \$ 591,334.00) by the Division.

The Permittee applied for a reduction in the posted bond amount of \$671,166.00 on April 8, 2010.

Upon Division approval, a bond amount of \$498,552.00 will remain.

These dollars are 2010 dollars, based on a 2010 permit renewal for the Des-Bee-Dove Mine.

The Division always re-evaluates a posted bond amount during the mid-term review (or every 2.5 years). Therefore the 2010 bond must be escalated for 3 years.

The current escalation factor for 2010 is 0.005 (0.5%).

The escalated dollar amount for three years of the remaining bond amount is

$(\$498,552.00) \times 1.015 = \$506,030.28$.

The Permittee has provided cost escalation figures using the 1.005 escalation factor for an entire permit term of five years. The escalated dollar amount to 2015 is calculated to be \$511,141.06.

The amount, which the Permittee must post, to remain adequate until 2015 is \$511,000, or **an increase from the current bond of \$ 12,448.00.**

Findings:

The calculated / escalated bond amount to be posted for the Des-Bee-Dove Mine through 2015 is \$511,000.00.

The Permittee applied for a reduction in the bond amount of \$671,166.00.

The Division should approve a reduction of \$658,718.00 from the current posted bond amount. This will leave a balance of \$12,448.00 to cover the escalation costs from 2010 through 2015.

RECOMMENDATION:

It is recommended that the Division approve a \$658,718.00 reduction in the required bond amount.