

#3982  
K

# TECHNICAL MEMORANDUM

## Utah Coal Regulatory Program

---

December 2, 2011

TO: Internal File

THRU: Steve Christensen, En Sci III, Task Manager and Team Lead *SCC*

FROM: Peter Hess, En Sci III, Reclamation Bond / Cost Estimate *PHH m SAS*

RE: MIDTERM PERMIT REVIEW , PacifiCorp / Energy West Mining Company, Des-Bee-Dove Mine , C/015/0017, Task ID # 3982

**SUMMARY:**

The Division initiated a Mid-term Permit Review of the Des-Bee-Dove Mine permit on December 1, 2011. That review is required to evaluate the current amount of reclamation bond which is in place to ensure that any additional work needed will be financed through the remainder of the bond release period.

The Des-Bee-Dove Mine ceased coal recovery activities in 1987, and the Mines were temporarily sealed (temporary cessation status) until 1997. At that time, PacifiCorp notified the Division of its intent to reclaim the three Mines associated with the complex. The reclamation plan involved three phases; 1) seal and backfill the Little Dove and Beehive Mine portals and pad area and the access road from the upper seam to the Hiawatha seam (Deseret Mine). In 1999, all surface facilities were reclaimed and the surface to underground openings were backfilled.

Phase II involved the restoration of the Deseret Mine (lower mine) portal / material pad, the coal storage pad, access roads, the bath house pad and the tipple pad areas.

The Division granted a Phase I bond release for 136.58 acres of reclaimed disturbance on February 13, 2007 (\$ 667,994.00).

A Phase II and III bond release for 95.7 acres was granted on August 24, 1998 (\$ 591,334.00).

There are 40.9 acres remaining to be released for the Des-Bee-Dove Mine disturbed area. The Division continues to hold a bond amount of \$ 511,000 to ensure the reclamation of the remaining acreage through Phase III.

This memo will determine if additional bond is required to ensure the remaining reclamation through 2016, which is the next Mid-term Permit Review.

## **TECHNICAL ANALYSIS**

### **RECLAMATION PLAN**

#### **BONDING AND INSURANCE REQUIREMENTS**

Regulatory Reference: 30 CFR Sec.800; R645-301-800, et seq.

#### **Analysis:**

##### **General**

The Division retains a reclamation bond (bond # 10377512) in the amount of \$ 511,000 to ensure that the remainder of any needed work at the Des-Bee-Dove Mine can be completed. All areas of disturbance have been re-graded and seeded. A remaining acreage of 40.88 acres remains for release.

##### **Form of Bond**

The form of bond held by the Division to ensure any reclamation work or repair to the remaining 40.88 acres is a **surety** bond, issued by the Travelers Casualty and Surety Company of America. The Travelers has an A.M. Best rating of "A+".

##### **Determination of Bond Amount**

The Division determined in 2010 that the amount of bond necessary to ensure the reclamation of the remaining disturbed area acreage at the Des-Bee-Dove Mine amounted to \$ 511,000.00. This is the escalated dollar amount to ensure coverage through 2015.

The Division re-calculated the reclamation cost from the 2010 estimate to 2011, then from 2011 through 2016, using the appropriate escalation factors.

It was determined that by escalating the 2010 cost estimate of \$ 498,552.00 for one year to 2011 (using the escalation factor of 1.017), the reclamation cost increased by \$ 8,475.00 (total cost of \$ 507,027.00).

The Division must escalate the 2011 cost estimate (\$ 507,027.00) through 2016 using the 2011 escalation factor (again 1.7% or 1.017) through 2016 (or 1.0879). The dollar amount of this escalation is \$ 44,568.00 (total cost through 2016 = \$ 551,598.00).

This total cost less the current bond amount leaves a deficit of \$ 41,000, which is a negative 8 %.

**The Permittee must post an additional \$ 41,000 bond to effectively sustain the permit through 2016.**

### **Terms and Conditions for Liability Insurance**

PacifiCorp / Energy West Mining Company maintains a general liability insurance policy through the Associated Electric and Gas Insurance Services Limited which is renewed on an annual basis, being current through August 28, 2011. Coverage amounts for the each occurrence and general aggregate categories are in excess of the amounts mandated under R645-301-890. Coverage for damage incurred from the use of explosives or subsidence is provided. The cancellation notification clause meets the requirements of the R645 Coal Mining Rules.

### **Findings:**

The MRP must be updated to reflect updated bond costs.

O:\015017.DBD\WG3982\DESBY3982\PHHdesby3982.docx