

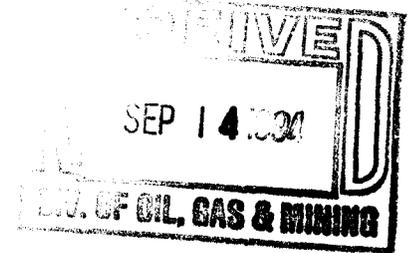
0010

One Utah Center, Suite 2000
Salt Lake City, Utah 84140-0020
(801) 220-4616 • FAX (801) 220-4725



A Subsidiary of PacifiCorp

September 14, 1994



Lowell P. Braxton
Associate Director, Mining
Department of Natural Resources
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Re: Hunter Power Plant Coal Preparation Activities,
PacifiCorp, Cottonwood/Wilberg Mine, ACT/015/019,
Folder No. 2, Emery County, Utah

Dear Mr. Braxton:

This letter is in response to your letter of August 29, 1994, and provides the information you requested by that letter. Before responding to your specific questions, I believe it is appropriate to point out that the Utah regulations do not require the permitting of all coal processing plants. Instead, the state regulation specifically states, and it is the clear intent of the federal regulation, that processing plants which are located at the site of ultimate coal use will not be subject to Division of Oil, Gas & Mining ("DOGM") or Office of Surface Mining Reclamation and Enforcement ("OSM") jurisdiction. In fact, the regulation which you have cited in your letter, namely Utah Administrative Rule R645-302-260, states that the rule applies to persons operating coal processing plants "other than such plants which are located at the site of ultimate coal use." Given this exclusion in the state program and the clear confirmation in the federal program that such processing plants are also to be excluded, it is PacifiCorp's position that the coal processing plant found at the Hunter Power Plant is clearly beyond the jurisdiction of either the DOGM or OSM. This conclusion was confirmed at the time of the initial construction of the facility by a memo contained in your files dated January 7, 1991, from the Permit Supervisor, Pamela Grubaugh-Littig. A copy of the memo is attached for your reference as Attachment No. 1. Under these circumstances, there is no reason to even consider any of the other elements that might otherwise call into question the jurisdiction of your agency over the coal processing plant located at the power plant.

In support of our position, we offer the following responses to your specific questions.

1. Is there a relationship between these entities in terms of ownership, control, management or any other economic relationship?

Response. Information with respect to ownership, control, management and other economic relationships has previously been filed with the Division in connection with its various existing permits. PacifiCorp, an Oregon corporation, is the owner of four (4) separate mines that operate under four (4) separate permits in the state of Utah. Three (3) of these mines are in actual operation. The operating mines are the Cottonwood/Wilberg Mine, Permit No. ACT/015/019, the Deer Creek Mine, Permit No. ACT/015/018, and the Trail Mountain Mine, Permit No. ACT/015/009. In addition, the Des-Bee-Dove Mine, Permit No. ACT/015/017, is currently in temporary cessation. PacifiCorp conducts its various coal mining and related activities in the states of Utah, Wyoming and Washington through contract mining arrangements usually with wholly-owned subsidiaries. PacifiCorp is the operating entity of the Hunter Power Plant complex and the owner of a substantial portion of the facility including the land on which the processing plant is located. PacifiCorp has also contracted with its wholly-owned subsidiary, Energy West Mining Company, to operate certain portions of the coal preparation and handling facilities at the Hunter Power Plant complex.

2. If your answer is yes to #1, please describe the relationship or relationships.

Response. See response to #1.

3. Is coal from the mine prepared or processed at the coal processing plant?

Response. Assuming this question relates to the Cottonwood/Wilberg Mine, Permit No. ACT/015/019, the answer is yes.

4. If your answer is yes to #3, please provide information reflecting both total tonnage shipped to the coal processing plant and the percentage this represents as a total of the mine's coal production.

Response. See Attachment No. 2 for production data of the three (3) producing mines mentioned. 100% of the coal produced at the Cottonwood

Mine is delivered to the Hunter Power Plant. The percentage of coal processed through the power plant's coal processing facility depends upon the quality of the coal received at the power plant and the requirements of the power plant. As shown on Attachment No. 2 during 1993, 100% of the Cottonwood production was processed. During 1994, year to date, about 77.6% has passed through the processing plant.

5. Does the preparation plant process coal from any mine other than Cottonwood/Wilberg?

Response. Yes.

6. If your answer is yes to #5, please identify the percentage of the coal processed that comes from other mines.

Response. The percentage of coal processed through the power plant's coal processing facility depends upon the quality of the coal received at the power plant and the requirements of the power plant. During 1993 about 16.8% of the coal produced at Deer Creek was delivered to the Hunter Plant and it all went through the processing plant. During 1994 the percentage of production delivered to the Hunter Plant is about the same, but something more than 10% has not gone through the coal processing facility. All production from Trail Mountain Mine has been delivered to the Hunter Power Plant. Production from the Trail Mountain Mine has been less than one percent of all coal received during 1993 and 1994, but is anticipated to increase in the near future.

7. What is the distance in miles between the mine and the coal preparation facility?

Response. Deer Creek Mine to Hunter Power Plant -- 23 miles.
Trail Mountain Mine to Hunter Power Plant -- 15 miles.
Des-Bee-Dove Mine to Hunter Power Plant -- 13 miles.
Cottonwood Mine to Hunter Power Plant -- 12 miles.

8. If coal is processed from other coal mines, what is the distance in miles between these mines and the coal preparation facility?

Response. See Response to #7. Coal could also be processed from any other mines in the Carbon/Emery County coal fields should they supply coal to the Hunter Power Plant.

9. If in the processing of coal from the Cottonwood/Wilberg Mine any material is generated that is not consumed as fuel by the power plant, please identify the composition of this material, its volume or extent, and the final disposition of the material.

Response. The material generated by the coal processing plant at the Hunter Power Plant that is not consumed as fuel consists primarily of sandstone, siltstone and shale. Based upon the most recent figures available, the refuse reject produced by the processing plant during the period September, 1993 through August, 1994 was about 97,365 tons. The material is disposed of on-site at a Mine Safety and Health Administration regulated refuse storage facility.

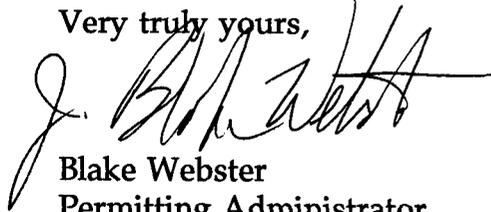
10. Please include any additional factual information which you believe may be of help to the Division in reaching its determination to permit or not permit the preparation facilities at the Hunter Power Plant.

Response. The coal processing plant located at the Hunter Power Plant was designed, constructed and is now used to process coal from any source in order to provide a fuel resource meeting the specifications of the Hunter Power Plant. The coal processing plant was constructed as an integral part of the Hunter Power Plant in order to satisfy the power plant's fueling requirements without regard to the specific mine from which the coal might be delivered and in order to allow PacifiCorp as a regulated public utility to respond to the requirements of its various regulating agencies. A fines circuit is being added to the facility. It is anticipated that coal from other sources will be processed by the plant to test the capabilities of the plant in the event those sources should ever supply fuel to the plant. The processing plant was designed, constructed and is now utilized solely for the processing of coal to be burned in the Hunter Power Plant. It is physically impossible for coal passing through the processing plant to go anyplace other than the power plant stockpile because the only product conveyance system is the conveyor belt from the processing plant to that stockpile. Therefore, the power plant complex is the site of ultimate coal use of all coal processed at the processing plant.

Lowell P. Braxton
September 14, 1994
Page 5

If you feel any additional information with regard to the Hunter Power Plant Coal Processing Facility is of interest as you conclude your evaluation, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Blake Webster", written over the typed name.

Blake Webster
Permitting Administrator,
Interwest Mining Company

JSK:dr
Attachments
cc: John S. Kirkham, Esq. (w/attachments)