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cc: Mary Ann 4

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Kathleen Clarke
Executive Director
Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

March 3, 2000

TO: Internal File

THRU: Daron Haddock, Permit Supervisor DRH

FROM: Robert Davidson, Soils Reclamation Specialist RAD

RE: Review Cottonwood/Wilberg Bond Estimate, PacifiCorp,Cottonwood/Wilberg Mine, ACT/015/019

Concerns have been raised by several coal mining companies regarding recent increases in reclamation bond estimates made by the Division of Oil, Gas, and Mining. These concerns included our internal review process and other points of the bond estimation process. As a result, a bond review team was assigned the following tasks were assigned:

1. Wayne Western will recalculate the Cottonwood bond using "local costs."
2. Louis Armodt and Robert Davidson will meet with Wayne Western and review the bond estimates for math and logic accuracy.
3. Pam Grubaugh-Littig and Mary Ann Wright will review the revised bond estimate with Wayne Western.

Wayne's estimates were made using local cost estimates from two separate construction companies. Nielson Construction bid quotes and Wheeler Machinery published rental rates were used for estimating machinery rental, machinery operational costs, and hourly wages for machinery operators. Two separate estimates were therefore made using Nielson construction bids and Wheeler construction bids. Nielson bid quotes include rental, operational costs and hourly wages. In those cases where Wheeler published rates are used that only cover rental costs, Blue Book rates were used for operational costs, and Davis-Bacon Wages were used for hourly wages.

The main difference between Energy West cost estimates and DOGM cost estimates is that DOGM estimates include machinery operational costs and machinery operator wages. Energy West did not include these costs in their estimates. Below are two tables comparing estimates for both DOGM and Energy West. At first glance, it appears that DOGM's estimates are considerable more expensive than Energy West. In order to compare DOGM to Energy West, the operational costs were deducted from the DOGM estimates. After the deduction, DOGM's estimates are actually much more competitive than Energy West.

Cottonwood/Wilberg Bond Calculation	Energy West Cost $$	Direct Cost Estimates based on Nielson Construction Company				
		with operating costs		without operating costs		
		DOGM Cost $$	Difference State vs. Energy West	Operating Costs	Cost$ less Operating Costs	Difference State vs. Energy West
DEMOLITION						
Subtotal	**657,989**	**828,674**	**170,685**	**223,791**	**604,883**	**(53,106)**
EARTHWORK						
Subtotal	**295,064**	**434,850**	**139,786**	**145,919**	**288,931**	**(6,133)**
RECLAMATION						
Subtotal	**294,861**	**243,462**	**(51,399)**	**52,228**	**191,234**	**(103,627)**
GRAND TOTAL	**1,247,914**	**1,506,986**	**259,072**	**421,938**	**1,085,048**	**(162,866)**

Cottonwood/Wilberg Bond Calculation	Energy West Cost $$	Direct Cost Estimates based on Wheeler Machinery				
		with operating costs		without operating costs		
		DOGM Cost $$	Difference State vs. Energy West	Operating Costs	Cost$ less Operating Costs	Difference State vs. Energy West
DEMOLITION						
Subtotal	**657,989**	**927,827**	**269,838**	**337,794**	**590,033**	**(67,956)**
EARTHWORK						
Subtotal	**295,064**	**467,948**	**172,884**	**187,028**	**280,920**	**(14,144)**
RECLAMATION						
Subtotal	**294,861**	**243,462**	**(51,399)**	**52,228**	**191,234**	**(103,627)**
GRAND TOTAL	**1,247,914**	**1,639,237**	**391,323**	**577,050**	**1,062,187**	**(185,727)**

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