

TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

#4003
OK

March 12, 2012

TO: Internal File

THRU: Steve Christensen, En Sci III, Task ID # 4003 Team Lead / Task Manager *Ske*

FROM: Peter Hess, En Sci III, Reclamation Cost Estimate / Bond Adequacy determination *PHH by SCS*

RE: Midterm Review Completion Response, PacifiCorp / Energy West Mining Company, Cottonwood / Wilberg Mine, C/015/0019, Task ID #4003

SUMMARY:

The Division initiated a mid-term permit review of the mining and reclamation plan for the Cottonwood / Wilberg Mine including a review of the current reclamation cost estimate / bond amount on October 20, 2011. On December 14, 2011, the Division notified the Permittee that an update of the current reclamation cost estimate was necessary using 2011 unit cost information from the 2011 R.S. Means Heavy Construction Cost Data manual. The Permittee responded to the Divisions list of deficiencies (Task ID # 3940) on January 31, 2012.

This memo will address the adequacy of the Permittee's response regarding an updated reclamation cost estimate / bond amount required utilizing the 2011 R.S. Means unit cost data.

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

General

The Cottonwood / Wilberg Mine was actively utilized as a means of transport of run-of-mine coal produced from the Trail Mountain Mine (C/015/009) through the mountain to the coal processing tipple located in Grimes Wash, Mining at Trail Mountain was completed in March of 2001, and both the Cottonwood / Wilberg Mine and Trail Mountain Mine were closed and sealed by June of 2011. The Mine was placed in temporary cessation status; a complete inspection is conducted during each quarter of the inspection year.

The Cottonwood / Wilberg Mine facilities remain intact; the only reclamation activity and bond releases being completed were relative to the old waste rock site located on Utah Road 57 (down canyon of the Mine facilities), and Phase III releases for acreages associated with the Cottonwood fan portal and Miller Canyon portals. No other reclamation activity has occurred.

Form of Bond

The Division currently holds a surety bond, issued by the Travelers Casualty and Surety Company of America, in the amount of \$ 2,964,000.00. The Travelers has an "A+" rating with the A.M. Best surety evaluation process.

Determination of Bond Amount

The Permittee responded to the Divisions list of deficiencies on January 31, 2012. A recalculated reclamation cost was submitted which was prepared using 2011 heavy construction cost data from R.S. Means. A list of the machinery rental rates and the labor cost data used in preparing the new estimate, as well as 2011 seed cost data was included in the application.

The direct cost estimate was prepared for three areas of disturbance remaining at the Cottonwood / Wilberg Mine. They are the:

- 1) Grimes Wash Facility
- 2) Overland Conveyor
- 3) and the Cottonwood Waste Rock site.

The re-calculated direct costs for these three areas amount to **\$ 2,014,747.16** (2011 dollars).

The re-calculated indirect costs are 26.8 % of the direct cost estimate or **\$ 539,952.23**.

The **Total Cost in 2011 Dollars** amounts to **\$ 2,554,699.39**.

The next mid-term permit review will take place in 2016; the escalation factor for 2011 was determined to be 1.7 %.

The escalated dollar amount for the reclamation cost estimate amounts to \$ 224,660.26.

The Total Dollar Amount required to reclaim the site through 2016 amounts to \$ 2,779,359.69.

The amount of bond required, as rounded to the nearest thousand dollars, is \$ 2,779,000.

The amount of bond currently posted is as noted above, \$ 2,964,000.00. This is \$ 185,000 more than the required amount, or 6 %.

There is no need for the Permittee to post additional bond at this time.

Terms and Conditions for Liability Insurance

The Permittee maintains general liability insurance through the Associated Electric and Gas Insurance Services, LTD., / Aon Risk Services Central, Inc. Coverage is renewed annually prior to or on August 28th. Coverage amounts for each occurrence and general liability are adequate and meet the requirements of the R645-301-890 State of Utah Coal Mining Rules.

There are no explosive or detonator storage magazines at the Cottonwood / Wilberg Grimes Wash facility or any other disturbed area associated with this permit. The Permittee maintains general liability coverage to covers damage incurred from the use of explosives.

Findings:

The submitted reclamation cost estimate adequately addresses the deficiency aired by the Division relative to the need for an update of that cost and the required posted bond amount. The Permittee has a sufficient bond amount currently posted with the Division to ensure the reclamation of the disturbed areas remaining at the Cottonwood / Wilberg Mine through 2016.

RECOMMENDATION:

Based on the analysis of the submitted reclamation cost estimate and the bond amount which is currently posted, the Midterm Permit Review for this site should be finalized and approved.