

C/015/032 Internal
cc: Dana
Steve A. #3827
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TECHNICAL MEMORANDUM

Utah Coal Regulatory Program

June 9, 2011

TO: Internal File

THRU: Steve Christensen, Lead *SKC*

FROM: Kevin Lundmark, Environmental Scientist II *KWL*

RE: Change to Appendix 7-65, Genwal Resources, Inc., Crandall Canyon, C0150032
Task ID No. 3827

SUMMARY:

On May 26, 2011 the Division of Oil, Gas and Mining (the Division) received a permit amendment from Genwal Resources Inc. (Genwal or the Permittee) with changes to Appendix 7-65 of the Crandall Canyon Mining and Reclamation Plan (MRP). This amendment was submitted to satisfy the abatement requirements for NOV 10073, issued to Genwal on February 16, 2011. The condition for which NOV 10073 was issued is:

The Permittee failed to comply with the terms and conditions of the approved Crandall Canyon Mining and Reclamation Plan (MRP). Commitments to provide summary/chronology information and operational costs associated with the mine-water treatment system at the Crandall Canyon Mine were not fulfilled. The information was not submitted for inclusion into the MRP within established deadlines.

The abatement actions for NOV 10073 are:

- *Submit the summary/chronology information of the mine-water treatment system (as outlined on page 11 of Appendix 7-65) for inclusion into the Crandall Canyon MRP by March 16th, 2011. The submission must address outstanding deficiencies (listed for Experimental Treatment Design Information) identified in the February 16th, 2011 deficiency letter for Task ID #3714 and #3724 and be submitted under a notarized CI/C2 form.*
- *Submit an up to date summary of equipment costs and projected annual operations/maintenance costs for the current mine-water treatment system (as outlined on page 11 of Appendix 7-65) for inclusion into the Crandall Canyon MRP by March*

16th, 2011 The cost information must be submitted in the example format provided (See Attached). Additionally, the cost information must address outstanding deficiencies (relative to the mine-water treatment system costs) identified in the February 16th, 2011 deficiency letter for Task ID #3714 and #3724 and be submitted under a notarized C1/C2 form.

The permit amendment received on May 26, 2011 does not satisfy the abatement actions for NOV 10073 because the deficiencies identified in the February 16, 2011 were not addressed. The cost estimate submitted by the Permittee does not reflect the realistic costs necessary to assure the completion of the reclamation plan if the work has to be performed by the Division in the event of forfeiture (R645-301-830). The \$118,600 estimated cost for annual operation and maintenance should therefore not be used as the sole basis for bond determination by the Division.

TECHNICAL ANALYSIS:

GENERAL CONTENTS

REPORTING OF TECHNICAL DATA

Regulatory Reference: 30 CFR 777.13; R645-301-130.

Analysis:

The Division identified by letter on February 16, 2011 numerous deficiencies associated with the summary/chronology information of the mine-water treatment system which was submitted under Task ID No. 3714. As part of the abatement of NOV 10073, the Permittee was required to respond to these deficiencies and submit the summary/chronology information of the mine-water treatment system for incorporation into the MRP. The amendment received on May 26, 2011 does not address any of the deficiencies identified in the February 16, 2011 letter.

Findings:

The information submitted does not meet the minimum requirements of the Utah R645 Coal Mining Rules, and does not satisfy the abatement measure for NOV 10073.

OPERATION PLAN

HYDROLOGIC INFORMATION

Regulatory Reference: 30 CFR Sec. 773.17, 774.13, 784.14, 784.16, 784.29, 817.41, 817.42, 817.43, 817.45, 817.49, 817.56, 817.57; R645-300-140, -300-141, -300-142, -300-143, -300-144, -300-145, -300-146, -300-147, -300-148, -301-512, -301-514, -301-521, -301-531, -301-532, -301-533, -301-536, -301-542, -301-720, -301-731, -301-732, -301-733, -301-742, -301-743, -301-750, -301-761, -301-764.

Analysis:

Other Treatment Facilities

The Division identified by letter on February 16, 2011 numerous deficiencies associated with the amendment to MRP Appendix 7-65 received by the Division on December 14, 2010 and reviewed under Task ID No. 3714. The amendment received on May 26, 2011 does not address many of the deficiencies identified in the February 16, 2011 letter.

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The following deficiencies were not addressed in either the amendment or the associated cover letter:

- R645-301-731** Genwal must add a commitment that only treatment chemicals certified under NSF60 will be utilized for the mine water treatment system, and Genwal will monitor the dosage rate (in mg/L) for all treatment chemicals used. Genwal will monitor treated water for carryover of treatment chemicals on a monthly basis or when dosage rates or chemical products are changed. Dosage rates will not exceed the NSF60 certified concentrations without a prior demonstration to the Division, Forest Service and DWQ that elevated dosage rates are acceptable based on analytical results for treated water samples.
- R645-301-742.230** Genwal must revise Appendix 7-65 to identify the approximate clean out frequency under current operating conditions (i.e., quarterly) and include criteria used to determine when clean out will be performed, e.g., prior to sludge accumulation in the settling basin cell closest to the outfall.
- R645-301-731** The Permittee must revise the Maintenance Section of Appendix 7-65 to remove references to a “mechanically simple system” and to demonstrate that necessary repairs to any of the pumps, chemical injection systems, flow meters, or piping can be accomplished within the 8-hour window available by routing untreated mine water to the settling basin.
- R645-301-731.200** The Permittee should remove from Appendix 7-65 discussion of ongoing baseline water monitoring associated with the mine water discharge and groundwater seepage from the highwall face and update Section 7.31.2 of the MRP, as appropriate, to describe ongoing baseline monitoring. Monitoring associated with water treatment system performance, including analysis for treatment chemical residuals should be included in Appendix 7-65.
- R645-301-121.100** The Permittee must update Appendix 7-65 Attachment 8 (Construction Specifications and Drawings) to describe the installation of all aspects of the water treatment system, including the seven pumps, two chemical injection systems, two flow meters and associated piping and controls. The Permittee must also include the revised Iron Treatment Facility As-Built Plan (Sheet 1 from the November 30, 2010 submittal) and correct the number of fabric curtains shown in the Process Flow Diagram Figure.

Findings:

The information submitted does not meet the minimum requirements of the Utah R645 Coal Mining Rules.

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

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

Analysis:

Determination of Bond Amount

The abatement actions for NOV 10073 included the submission of equipment costs and projected annual operations/maintenance costs for the current mine-water treatment system for inclusion into the Crandall Canyon MRP. The cost information was required to include the following line items:

- Equipment costs (capital)
- Chemical costs (annual)
- Sludge cleanout, transportation, and disposal costs (annual)
- Electricity, propane and water costs (annual)
- Operational Labor (annual)
- Maintenance Labor (annual)

In the May 26, 2011 submittal, Genwal provided cost information for equipment, operations (including treatment chemicals and facilities) and maintenance (including sludge cleanout and disposal). Overall, the cost information provided by the Permittee is useful, and, in many cases, agrees with the cost estimate which has been developed by the Division.

Utah R645 Coal Mining Rule R645-301-830.110 states that the amount of the bond will be determined by the Division. The Rules also clarify that the bond amount will “[b]e based on, but not limited to, the detailed estimated cost, with supporting calculations for the estimates, submitted by the permit applicant” (R645-301-830.140, emphasis added) and that “[t]he amount of the bond will be sufficient to assure the completion of the reclamation plan if the work has to be performed by the Division in the event of forfeiture” (R645-301-830.200, emphasis added).

There are several areas where the cost estimate may not be sufficiently representative of site conditions and water treatment requirements:

- Chemical usage rates assume an average minewater discharge rate of 400 gallons per minute (gpm). Monitoring data collected by the Permittee and submitted to the Division have shown the average minewater flow rate to be approximately 450 gpm. Treatment

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chemical costs therefore need to be multiplied by a factor of 1.125. The cost estimate also assumes that and iron-based coagulant (Solve 3) is used for the minewater treatment. This chemical was only first tested beginning in May 2011. An aluminum-based coagulant (Nalco 8187) has been used continuously at the site since March 2010. There is a significant cost difference between the two chemicals. The concentration of flocculant (polyacrylamide) assumed by Genwal was approximately 3 ppm; however, the treatment system as-built identifies that flocculant is added at 5 ppm.

- The estimates for labor are unrealistic and should not be used for bond calculation. For Operations, the Permittee has assumed a fully-automated system which requires one-half full time equivalent (FTE) labor, or 4 hours per day. This assumption cannot be used by the Division for cost estimation because a) the automation system (telemetry, alarms, computer programming) is specific to the Permittee and not transferable to the Division, b) this estimate does not allow sufficient time for travel to and from the site, and c) many maintenance activities require multiple personnel for safety reasons (work in the settling pond, handling bulk corrosive liquids).
- The sludge cleanout and disposal costs assume that each cleanout episode may be completed in seven eight-hour days. Based on discussions with Genwal personnel and contractors at the site, cleanout episodes have typically required at least ten days (two weeks) to complete.

The attached table presents a comparison of the operations and maintenance cost estimates submitted by Genwal with the cost estimate developed internally by the division in April 2011.

Findings:

The cost estimate information submitted by the Permittee meets the minimum requirements of the Utah R645 Coal Mining Rules and satisfies the cost-related abatement action for NOV 10073. However, the cost estimate submitted by the Permittee does not reflect the realistic costs necessary to assure the completion of the reclamation plan if the work has to be performed by the Division in the event of forfeiture (R645-301-830). The \$118,600 estimated cost for annual operation and maintenance should therefore not be used as the sole basis for bond determination by the Division.

RECOMMENDATIONS:

The amendment is not recommended for approval at this time. The Permittee must address the deficiencies which were previously identified by letter February 16, 2011. The information submitted also does not satisfy the abatement actions required for NOV 10073.

Comparison of Minewater Treatment Operations and Maintenance Cost Estimates – Task ID 3827

Genwal Cost		Division Cost	Key Assumptions	Comment
Operations				
Labor	36400	68400	Genwal: 1/2 FTE (20 hrs /week) @ \$35/hr for travel, facility inspection, facility maintenance, sampling, pond cleaning, record keeping, invoicing, supplies, snow removal and emergency maintenance (fully automated system).... Division: 1/2 FTE @ \$35/hr, 0.34 FTE @ \$45/hr	Genwal's estimate is unrealistically low and is not representative of the level of effort for the Division to operate the system and manage the project.
Treatment Chemicals - Coagulant	21760	120000	Genwal: 400 gpm; 25 ppm Solve 3 Division: 500 gpm; 38 ppm Nalco 8187	Average flow rate = 450 gpm
Treatment Chemicals - Flocculant	8125	8400	Genwal: 400 gpm; ~3 ppm Nalco 7763 Division: 500 gpm; 2.5 ppm Nalco 7763	Average flow rate = 450 gpm
Water Haulage	--	6000	Genwal: Not included Division: 60000 gal / year	Water haulage no longer required (make-up water pond from pond outlet)
Snow Removal	2520	7200	Genwal: 6 storms/year @ \$420/storm Division: \$300/week, 24 weeks/year	Needs reconciliation; 6 storms per year seems unrealistically low
Laboratory Analysis	3729	10000	Genwal: 24 samples / year @ \$155.35/sample Division: Cost as stated by Genwal TID 3724 (recd. 01/06/2011)	Needs reconciliation; Genwal has provided conflicting information; must include WET testing
Propane	--	750	Genwal: Not included Division: 500 gal per year	Propane heater has been replaced with electrical units
Power	6144	1950	Genwal: 25 KVA at Rate 6 schedule (\$512/mo) Division: 15 KW mo @ \$130 kw mo	Genwal's estimate more reliable
Telephone	540	--	Genwal: Basic service, single line Division: Not included	Telephone service only required for automation / telemetry
UPDES Permit	720	--	Genwal: \$3600 per 5 years Division: Not included	
Subtotal Operations	79938	222700		
Maintenance				
Sludge Cleanout & Disposal	38600	83200	Genwal: 6 X 7-day sessions, no cost backup Division: 6 X 10-day sessions, costs per RS Means	Needs reconciliation; no cost backup submitted by Genwal
Equipment Maintenance	--	8000	Genwal: Included with Operations labor Division: 20 X 10-hr days per year	
Pond Maintenance	--	2100	Genwal: Included with Operations labor Division: 6 X 10-hr days per year	
Equipment Replacement	--	4300	Genwal: Not included Division: 5% of equipment cost (\$86,300)	Equip. cost should be adjusted to 139900 per Genwal's equip. cost est. in TID 3827
Subtotal Maintenance	38600	97600		
Total Operations & Maintenance	118538	320300		