



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

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TO: General File
Dana Dean, Associate Director – Mining
Steve Christensen, Coal Permit Supervisor
Daron Haddock, Coal Permit Supervisor
Paul Baker, Minerals Program Manager
Wayne Western, Engineer

FROM: Peter Brinton, Engineer

RE: Reclamation Cost Escalation Factor for 2017: 0.0%

Following are national R.S. Means published cost index values and escalation factors used for forecasting reclamation costs. Escalation factors were calculated using index numbers and averaging equations identified on page five of Gordian's January 2017 Construction Cost Indexes with R.S. Means Data.

Year	Index Number	Calculated Escalation Factor
2004	119.2	1.005
2005	120.2	1.005
2006	125.0	1.016
2007	131.8	1.032
2008	134.6	1.038
2009*	130.0	1.013
2010	133.8	1.005
2011	136.2	1.017**
2012	140.2	1.012
2013	145.0	1.015
2014	143.1	1.019
2015	141.7	1.012
2016	140.7	1.007
2017	138.8	1.000

* Starting in **2009**, fuel costs and routine maintenance costs are included in the equipment cost.

** Starting in **2011**, the escalation factor has been based on the previous five-year interval. Prior factors were based on a three-year interval.

Because the 2017 calculation yielded an escalation factor below 1.000 for the first time, and in an effort to ensure bond adequacy over the entire escalation interval, the decision has been made to limit the minimum escalation factor to an even 1.000, thus avoiding a scenario where less than the needed surety is held for the first years of the escalation (or de-escalation) interval.

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