



PublicService Commission &lt;psc@utah.gov&gt;

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**Fw: Deer Creek Mine Transaction**

1 message

**brian lea** <bri\_lea@yahoo.com>

Sat, Jan 24, 2015 at 8:05 AM

Reply-To: brian lea &lt;bri\_lea@yahoo.com&gt;

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On Friday, January 23, 2015 7:50 PM, brian lea <bri\_lea@yahoo.com> wrote:

January 23,2015

This writing is in response to the statements made in regards to the application from Pacificorp to close the Deer Creek Mine for the benefit of the ratepayers.

## 1. INCREASING MINING COSTS DUE TO HEALTH AND PENSIONS

In Nov. of 2014, the UMWA and Pacificorp reached a contract agreement. In the agreement the UMWA allowed Pacificorp to settle its Retiree Medical Obligation. Which as you know, and in short, they will pay a one time cost for all retirees.

The "other rising costs: of the contract settlement is virtually insignificant. Our agreed upon wages are still significantly less than the non-union miners in the surrounding Carbon, Emery and Sanpete counties. Which allows the Deer Creek miners to have better health benefits. This offset in wages have been in place for decades.

Concerning our health care costs, during the negotiations of the last 2 years and up until November, the UMWA offered to help reduce the costs by way of generics and other methods which have proven to be effective by the UMWA. Cindy Crane declined the offer.

Our new contract also states in short, if any of Pacificorps leases, i.e. Trail Mountain, is sold then Pacificorp will buy out of its obligation to fund our pension and the new owners will give the working miners a 401k.

We believe our concessions to stop paying our pensions and adopting the 401k would be a benefit to a new owner, along with the Retiree Medical Obligation.

As far as our health care costs compared to other Pacificorp union workers, we do have better. UMWA wages are a minimum of \$10/hr. less than comparable union workers with the same skill level. Our wages compared to local non union miner wages are \$5-\$7/hr. This does not include non unions typical \$1000/mo. bonuses minimum.

## 2. LOWER QUALITY COAL & REDUCED PRODUCTION

Every coal mine has areas of coal with less than favorable ash and sulfur content. With very few exceptions Deer Creek's coal has always had better btu's, less ash and less

sulfur than most mines in the area can deliver. As of this writing, our coal has far exceeded the quality of coal being delivered to the Huntington Plant.

The "single ten hour shifts" caused by poor quality coal was a "self made crisis" created to make the mine look like it had insurmountable poor coal and high costs.

The course of action for all longwall equipped mines (including Deer Creek up until the last 2 yrs.) is when they encounter similar problems in normal mining operations to keep mining as usual and blend the coal to make it acceptable for the plant to burn. It is an industry standard method.

We believe the "transaction case" is in the best interest of the ratepayers. For reasons stated,

1. The graph (from the exhibits given to the Utah Public Service Commission) Pacificorp shows comparisons to the cost of coal from the market in relationship to the cost from Bowie. They failed to show the relationship both have to their captive coal costs (excluding the last 2 yrs.).

As you are fully aware, Deer Creek has continually outperformed both costs. Our monthly foreman reports given to the miners have substantiated that claim over and over. This does not include our recent health and pension concessions upon a sale which would widen an already significant cost gap.

2. Trail Mountain reserves can be accessed from the Deer Creek portals. We have various maps showing easy access to the Trail Mountain reserves. According to management that can be done within 18 months.

This approach eliminates any coal transportation by truck, including transportation costs. Management has also stated delivering coal via Deer Creek's belt line cost literally pennies.

3. The ability to sell the mine. Pacificorp states they had no competitive offers. During the last two years in which our contract was being negotiated, there was no concrete costs to our health care, pension and wages. Those reasons alone would cause any interested buyers to decide not to purchase. The timing of our for sale was incredibly wrong.

Our contract was ratified in November of 2014. Between then and the present there has been inadequate time for any prospective buyers to assess the value of our location, low coal cost and our accessibility to mine the Trail Mountain leases.

As of this writing, the Deer Creek mine has been removing material and supplies at an alarming rate. Which could possibly remove any chance to resume mining regardless of your future decision to determine what is beneficial to your ratepayers.

Thank you,

Brian Lea  
UMWA media spokesperson