

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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EMS TRANSMISSION 4/3/08
Instruction Memorandum No. NV-2008-030
Expires 09/30/2009

To: Field Managers, Nevada
From: State Director, Nevada
Subject: Nevada BLM 3809 Reclamation Bonding Guidance

Program Areas: Mining Plans of Operations

Purpose: This Instruction Memorandum (IM) provides guidance to Field Offices (FOs) that are tasked with the review and approval of Reclamation Cost Estimates (RCEs) for Mining Plans of Operations (PoOs) on public lands. It specifically provides guidelines for the escalation of contractor quotes for reclamation activities included in RCEs that are not specifically calculated by the Nevada Standardized Cost Estimator (SRCE). These reclamation activities usually involve the demolition and removal of large mine structures such as crushers, mills, or storage tanks.

Policy/Action:

The FOs are directed to immediately incorporate and implement the following procedures, time frames and guidelines provided below:

When and if a mine operator submits a RCE that includes a contractor quote that does not reflect the current year dollars, and there has been no change in the scope of the specific reclamation activity originally quoted, the FO has the option of either requesting an updated, current quote from the operator or applying the RSMMeans Historical Cost Index (HCI) to the original quote. Quarterly updates of the HCI are available at <http://www.rsmeans.com/chgnotice/index.asp> or the "Engineering News-Record". For example, a contractor quote for demolition of a crusher was originally made in the first calendar quarter of 2005 for \$1,000,000. The operator now includes the same 2005 quote in a RCE submitted in the first calendar quarter of 2008. The formula to escalate the 2005 quote to 2008 dollars would then be as follows:

$$\text{Index January 2008} / \text{Index January 2005} * \text{Cost in 2005} = \text{Cost in 2008.}$$
 Using the national average numbers it would be $171.0 / 146.7 * \$1,000,000 = \$1,165,644.$

Time Frame: This policy becomes effective upon the date of issuance and remains in effect until formally modified.

Background: There have been questions on how to escalate old contractor quotes for demolition activities that are submitted as part of a RCE. BLM researched various indexes such as the Consumer Price Indexes (CPI), the Producer Price Indexes (PPI), and the RSMeans Historic Cost Index (HCI). It was determined that the HCI was the best suited for escalating demolition quotes since RSMeans is the reference commonly used by both the agencies and industry to estimate demolition costs.

Budget Impact: None.

Manual/Handbook Sections Affected: None.

Coordination: This guidance has been developed by the Nevada State Office (NV-920) and in coordination with the Nevada BLM Field Offices, Nevada Division of Environmental Protection (NDEP) and the Nevada Mining Association (NMA).

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