

Funding for the ABS BF Discharges

Mine Reclamation Advisory Board
November 29, 2007

Committee Recommendation

- Keep the Reclamation fee as is for two years. If a permanent funding source becomes available, then eliminate the Reclamation Fee.
- Use interest on the SMCRA Fund to provide the remainder
- Discussion included increasing the fee as needed

Reclamation Fee Collections

Year	Rec Fee
2002	\$529,813
2003	\$148,936
2004	\$153,981
2005	\$221,620
2006	\$201,467

Interest Limitations

- Interest on Restricted bond fund is returned to the restricted bond fund
- This interest will not be available for O & M costs until the account is fully funded

SMCRA Fund Breakdown

• Restricted Bonds	\$19.9 M
• Released bonds	\$ 2.5 M
• Reclamation Fee	\$ 3.6 M
• ABS Closeout	\$ 4.4 M
• General Operations	\$ 6.4 M
• Conversion Assistance	<u>\$11.2 M</u>
• Total	\$ 48 M

Establish Funds

- Use Reclamation Fee Fund to pay for O & M, Construction and Recapitalization Costs for ABS Discharges
 - Accumulated Reclamation Fees (\$3.6 M)
 - Deposit future Reclamation Fees
 - Interest
- Create a fund “ABS Legacy Fund”
 - Collected ABS Discharge bonds
 - Interest on ABS Legacy Fund
 - Other money that may become available in the future

Fund Obligations

- Released bond -\$377 K committed to pre-primacy sites
- ~\$2.8 M to build ABS BF Discharge Treatment Facilities
- Interest on the Fund is the primary revenue source for the General Operations Fund (Need ~\$2 M per year)
- Land Reclamation \$7.3 M
 - \$4.4 ABS Closeout
 - \$3 M in restricted bond

Risks to the MRAB Committee funding proposal

- Reclamation Fee revenue has been declining
- Interest Rates may decline
- Principal in SMCRA Fund will be spent
 - ABS Close out-within two years for land reclamation
 - Released bond funds are needed for land reclamation
 - General Operations~\$2 M per year
 - Construction of the ABS BF discharge treatment facilities

Estimate

- About \$200,000 in Reclamation Fees
- Need \$1 M from interest
- @ 5% this requires \$20 M in principal
 - \$48 M less the Restricted bond (\$19.9 M) leaves about \$28.1 M
 - This \$48 M will be systematically reduced through the expenditure of money for land reclamation
 - Conversion Assistance funds are at risk to be forfeited and needed for land reclamation

Projection Assumptions

- 5% Interest
- \$300,000/yr in Penalties
- \$200,000/yr in reclamation fee
- \$400,000/yr in Conversion Assistance Fees
- Other Fees (Licenses) \$127,000/yr
- Start with \$48 Million
- ABS Land Reclamation to be done in 2 years
- Estimated cost \$7.3 M
- \$2,000,000 to be spent from General Operations Fund per year
- 2000 acres per year permitted subject to the reclamation fee

Projection 2007-2008

- Begin with \$48 M*
- Spend \$10,600,000 (mostly on Land reclamation)
- Total income \$3.4 M
- End of year balance \$40.8 M*

*Note: the interest on the restricted bond portion of this is not available.

Projection 2008-2009

- Beginning Balance \$40.8 M*
- Income about \$3.1 M
- Spending about \$8.6 M
- Ending Balance about \$35.3 M*

*Note: the interest on the restricted bond portion of this is not available.

Projection 2009-2010

- Beginning Balance \$35.3 M*
- Income \$2.7 M
- Spending about \$7.1 M
- Ending Balance about \$30.1 M*-most of this will be Conversion Assistance and Restricted Bond

*Note: the interest on the restricted bond portion of this is not available.

Conversion Assistance Risk

Company	Amount (No)
River Hill	\$3,934,261.00 (9)
Sky Haven	\$2,516,882.00 (8)
Strishock	\$2,474,690.00 (3)
Reading Anth	\$2,365,214.12 (2)
LC & N	\$2,100,000.00 (1)
Rausch Creek	\$2,100,000.00 (1)
Pagnotti Ent	\$1,040,356.00 (5)
Phila-Girard Est	\$959,196.00 (1)

Reclamation Fee Need Projection

- Restricted bond Interest is dedicated to the Restricted Bond Fund
- \$19.9 M in Restricted bonds
- \$1.1 M to be spent in 2007-2008
- \$995,000 in interest (of \$2.4 M)
- \$19.8 M at end of FY 2007
- For the purpose of the projection, one half of the total unrestricted interest can go to the ABS BF Discharges (Less than half may be available due to General Operations Fund needs).

Reclamation Fee Projection 07-08

- For 07-08, one half of the unrestricted interest is about \$700,000
- This means that the reclamation fee must produce \$500,000 in 07-08
- \$250 per acre (2000 acres)

Reclamation Fee Projection 2008-2009

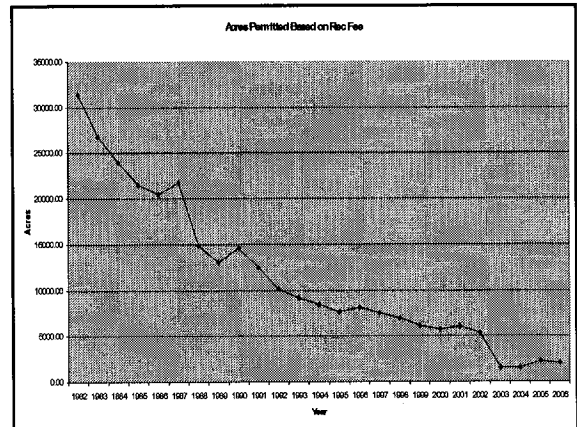
- Spend about \$1 M from Restricted bond for Land Reclamation
- \$990,000 in interest on the Restricted Bonds (of the total of ~\$2 M)
- FY 2008 Year end Restricted Bond Balance-\$19.8 M

Reclamation Fee Projection 2008-2009 (continued)

- For 08-09 one half of the unrestricted interest is about \$500,000
- Reclamation fee must produce \$700,000
- \$350 per acre (2000 acres)

Other Factors

- Historical Trend of Declining Acres
- Increased Costs
- More Forfeitures



Partially Funded Trusts

- 5 Trusts
- 16 Permits
- 36 discharges
- These trusts also include 5 pre-primacy Permits
- About \$3 M due to be deposited
- Two of the 5 include bonds and the total value exceeds target

Pending Trusts/bonds

- 45 Permits
- 85 Discharges
- Includes some that are very close to resolution (e.g. bond has been submitted, but not approved yet).
- Also includes some difficult cases

Current Reclamation Fee Wording

“This reclamation fee may be paid as acreage within an approved surface mining permit is authorized for mining.”

Ohio's Fee Wording

- E) Permit fees. Each application for a coal mining and reclamation permit, including applications to renew, shall be accompanied by a fee in an amount equal to the product of seventy-five dollars multiplied by the number of acres estimated in the application which will comprise the area of land to be affected within the permit period by the coal mining operations for which the permit is requested.

Draft Whole SMP Wording

- In addition to the bond ..., the applicant for a permit shall pay a \$25 per acre reclamation fee for surface mining activities ... This reclamation fee shall be assessed for each acre within the approved permit area and shall be collected by the Department prior to issuance of a surface mining permit.

Operation area vs. Whole SMP

- Adjust the fee in increments
- Starting amount would likely be \$25 if entire SMP, \$100 if Operational area

Other Concepts to Capture in a Regulation

- Fee to be adjusted annually
- Maintain at least 3 times the annual O & M costs in the Reclamation fee fund
- Provide annual report to MRAB
- Publish new amount in the PA Bulletin
- Post on the Web
- Discontinue the reclamation fee when the funds are fully funded
- Include an upper threshold (5 times?) at which the fee could be reduced

Other Elements of the Regulation

- Define ABS
- Define ABS Legacy
- Reinstate 86.283 (c) to allow waiver of fee for remaining area
- Establish Accounts
- Allow for other funds to be deposited