



pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION



Bureau of Mining Programs

Remining Financial Guarantees

MRAB Meeting

July 21, 2016



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Purpose

Brief the MRAB on the history of bond forfeitures, anticipated forfeitures and their impact on the Remining Financial Assurance Fund

Bond Forfeitures

Forfeitures to Date:

- 16 Permits Forfeited
- With 23 Financial Guarantees
- Cost \$296,576 on Forfeitures
- \$508,480 in obligations on 5 Permits

Bond Forfeitures

Forfeitures Status:

- No reclamation required – 3
- Surety reclamation no FG's used – 2
- 3rd Party Reclamation – 3
- Reclaimed used FG's – 3
- Require Reclamation with FG's – 3
- Surety FG's Split (Reclaiming) – 2

Bond Forfeitures

Reclaimed Sites Using FG's

- Amount from RFAF - \$126,625
- Amount from Other Funds - \$169,951
- Total = \$296,576

Bond Forfeitures

Outstanding Reclamation Obligation:

- Allegheny Milestone Inc. \$80,000
Reclamation in process.
- RJ Coal Co. \$47,759 Reclamation in
process.
- CMT Energy, Inc. \$91,100 Planning phase
- Sky Haven Coal – 2 permits \$289,621
CO&A

Bond Forfeitures

- Other Funds = \$169,951
- Committed Funds = \$508,480 on 6 Financial Guarantees
- Total of \$678,431

Doesn't include the amount already paid from the RFAF fund on 2 permits.

Bond Forfeitures

Anticipated Forfeitures:

- S & K Energy, Inc – 3 permits \$220,000
- Allegheny Enterprise, Inc. – 2 permits \$190,000
- Total Potential Forfeitures = \$410,000

Bond Forfeitures

TWO TRIGGERS

FIRST TRIGGER

86.284(d)

The financial guarantees program will be discontinued immediately and notice published in the Pennsylvania Bulletin, if 25% or greater of the total outstanding financial guarantees are declared forfeit.

Bond Forfeitures

Total Active Financial Guarantees

- \$9,734,323 in Outstanding Guarantees
- 25% Trigger = \$2,433,580

As of June 1, 2016

Bond Forfeitures

Remining Financial Assurance Fund

- Balance as of 6/1/2016 = \$4,960,926
- \$1,700,000 Designated to assure RFG's
- \$1,100,000 Designated for Bond Credits
- \$2,160,926 in reserve to cover reclamation.

Bond Forfeitures

25% Trigger

- Set to take into consideration the health of the program.
- Probability of the number of claims
- Cost of Claims

Bond Forfeitures

25% or greater of the total outstanding financial guarantees are declared forfeit

- 25% = \$2,433,580
- Total Forfeiture Obligations = \$678,431
(28% of the trigger)
- Total with Potential Forfeitures = \$1,088,431
(45% of the trigger)
- \$2,160,926 in reserve to cover reclamation
(50% of Reserve)

Bond Forfeitures

23 Financial Guarantees Forfeited

- Total Obligated from RFAF = \$805,056

(Includes the amount already spent)

- Average Cost per FG = \$35,000
- Potential Obligation = \$1,088,431
- Average Cost for 17 FG's = \$64,000

Bond Forfeitures

- Average Cost for FG's = \$64,000
- Remaining Reserve = \$1,072,495
- Potential to cover 16 FG's forfeited with remaining reserve.

Bond Forfeitures

SECOND TRIGGER

86.284(e)

The financial guarantees program may be suspended upon notice in the Pennsylvania Bulletin when the number of participating permits declared forfeit is equal to that number of permits calculated by multiplying the historical rate of forfeiture plus a margin of safety times the number of permits participating in the program.

Bond Forfeitures

Number of Permits with FG's

- 462 permits have or have had FG's

As of June 1, 2016

Bond Forfeitures

Number of permits declared forfeit

- Historical Rate = 8%
- Margin of Safety = 2%
- Number of Permits = 462
- 10% of Permits = 46

Bond Forfeitures

- Forfeiture to Date = 16
- Anticipated Forfeitures = 5
(S & K Energy, Inc., Allegheny Enterprise, Inc.)
- Total 21 possible permits
- 46% of the trigger

Bond Forfeitures

Conclusions

The program can meet it's current obligations using the reserve in the fund.

Bond Forfeitures

Conclusions

Will continue to review the program status as additional possible forfeitures arise.



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