

Presentation to Professional Engineers in Mining Seminar

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Kentucky Department for Natural Resources
Lexington Kentucky
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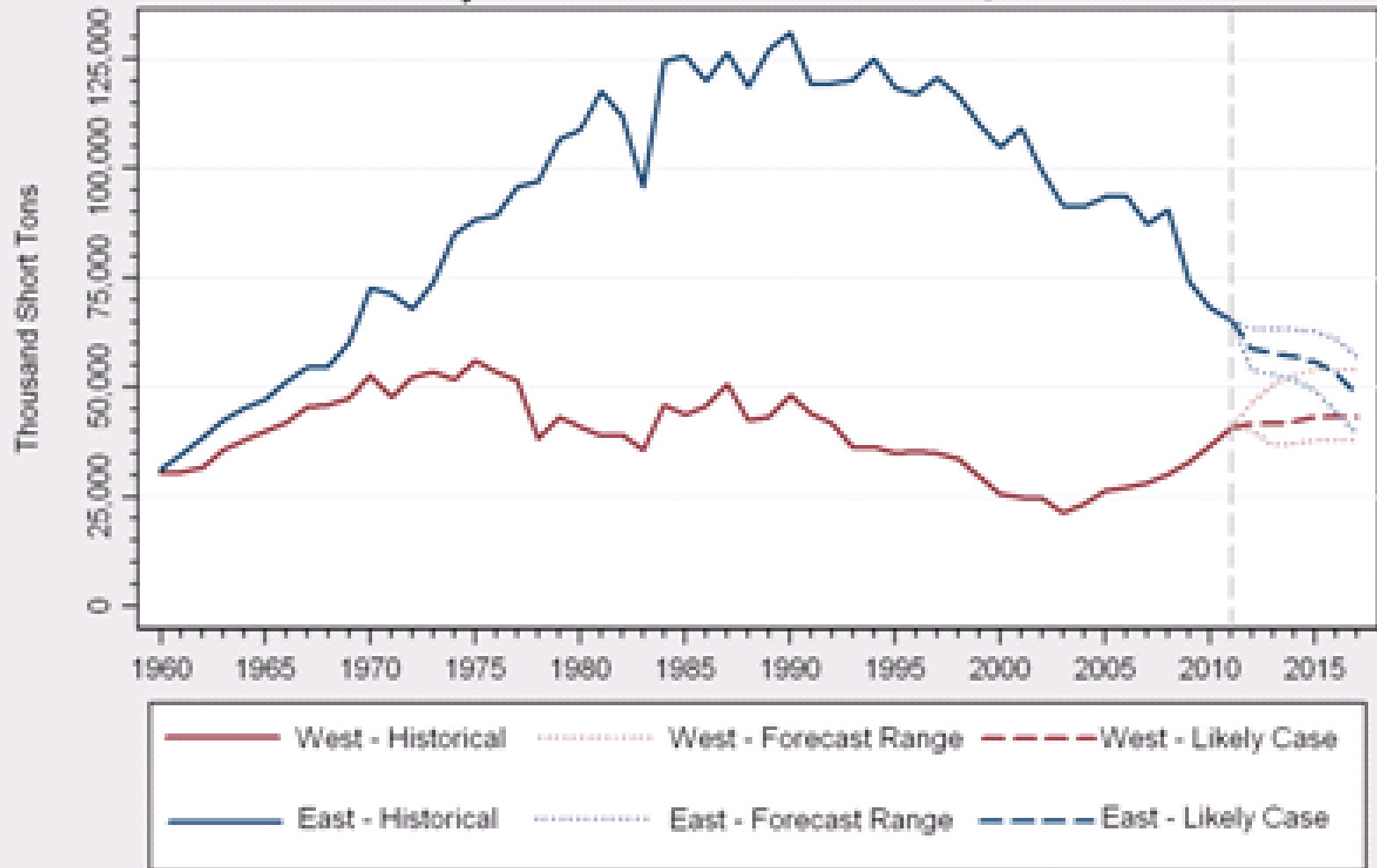
Mining Activity

	# AP	# A1	# A2
Jul. 2011	331	600	329
Aug. 2011	329	600	328
Sep. 2011	333	606	335
Oct. 2011	340	595	332
Nov. 2011	326	614	327
Dec. 2011	319	621	324
Jan. 2012	317	622	315
Feb. 2012	317	620	310
Mar. 2012	312	627	316
Apr. 2012	292	644	318
May. 2012	289	637	328
Jun. 2012	272	649	328
Jul. 2012	259	653	323

Mine License Activity

	ACTIVE		INACTIVE	
	UG	SURFACE	UG	SURFACE
Aug-11	172	240	8	12
Sep-11	169	246	14	13
Oct-11	171	250	9	10
Nov-11	171	263	13	8
Dec-11	174	250	10	21
Jan-12	174	250	6	16
Feb-12	167	203	5	9
Mar-12	162	197	11	17
Apr-12	165	215	8	7
May-12	158	205	12	20
Jun-12	159	218	12	13
Jul-12	171 (99 active)	231 (144 active)	72	86

Kentucky Coal Production Forecast, 1960-2020



Kentucky Energy Database, EEC-DEDI, 2012

Eastern Kentucky production is expected to continue to decline.
The outlook for Western Kentucky coal production is stable.

Reclamation Bonding

- OSM 733 Letter to Kentucky
- New Bond Amounts
- Bond Pool

The OSM 733 Letter

- On May 1, 2012 OSM sent Kentucky a Part 733 Letter in response to the February letter.
- The letter places Kentucky on notice that our reclamation bonding program is deficient and gave Kentucky 30 days to submit a detailed plan to increase the amount of reclamation bonds.
- Actions mandated by OSM in 733 letter:
 - Ensure all new permits will have adequate bond for the Cabinet to reclaim in the event of forfeiture.
 - Evaluate and adjust the bond on existing permits.
 - Periodically review the bonding program to reflect changes in the cost of reclamation.
 - Periodically review permits to ensure adequate bonding.
 - Take steps to ensure previously forfeited sites will be reclaimed to program standards.



OSM Enforcement of 733 Requirements

- Consequences of failure to comply with 733 letter:
 - Loss of \$48 million annual AML grant.
 - Federal takeover of Kentucky bonding program.
 - OSM's takeover would result in bonds increasing 10 – 20 fold.
 - OSM's involvement in the bond computation process would also hinder timely review and issuance of permits.

Emergency Regulations

New Bond Amounts

- On May 4, in response to the OSM 733 Letter, Kentucky issued emergency regulations to increase the amount of bonds. The increases reflect the protocols that the bonding workgroup recommended. Simultaneously, normal regulations were filed at LRC.
 - Minimum Bond Amount for permits or increments
 - \$75,000 for a permit bonded as a single area.
 - \$75,000 per increment for operations that decide to bond incrementally.
 - \$50,000 for a permit or increment that meets the criteria for re-mining.
 - \$10,000 for an underground only permit where coal is removed at face-ups on other permits.

New Bond Amounts

- Revised Rates per Acre
 - \$2,500 per acre for coal haulage roads.
 - \$7,500 per acre for areas used for coal refuse disposal.
 - \$10,000/acre for off-bench, embankment sediment structures.
 - \$3,500 per acre base bond for all other permitted areas.
 - \$2,500 per acre for remaining permit acreage.
- Supplemental Assurance
 - \$150,000 per 1,500 linear feet of exposed highwall.

Old Bond Amounts/New Bond Amounts

- Since the implementation of RAM 155 and application of the new bonding protocols the Division of Mine Permits has determined that 39 permits require increased bond at mid-term review.
- The average old bond amount on these permits was \$109,205.
- The average new bond amount on these permits is \$204,138.

Bond Pool Actuarial Study

- The Department and actuary met on July 19 to begin the project.
- The actuarial study shall be performed in three phases.
 - The first phase of the study (consultation and evaluation of bond pools in surrounding states) must be completed within 30 days of the contract award (August 9, 2012).
 - The second phase of the study (determining the capitalization of the pool and fee requirements) must be completed by October 1, 2012.
 - The third phase (structure recommendations and consultation) must be completed by October 31, 2012.

Bond Pool

- Statutory changes for 2013 General Assembly
- Water liabilities
- Possible adjustments to AMD financial assurance

Termination of Non-disturbed Permits

- 405 KAR 8:010 Sec. 17(2)(a)-Permit terminates 3 years after issuance if not disturbed.
- Permittee must request specific time extension.
- Two valid reasons for extension.
 - Litigation
 - Reasons beyond control of permittee
- Extension approved for limited time and public noticed.
- OSM TDNs to WV and AK
- DNR action

RAM 156

- Need for RAM
- Sets parameters for backfilling
- Backfilling certification
- Existing operations

Trend Station Funding

- Background
- Phase I completed. 64 stations with 4 quarters of data (now in our system and sorted)
- Phase II (73 stations); First sampling event completed and at the lab
- Phase III Combines Phases I & II. Additional \$119,000 from OSM for 4 more quarters of sampling
- Future Funding?

Other Issues

- Litigation
- Contemporaneous Reclamation
- Mine Safety
- AML Funding and Fee Decrease

Questions

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