COMMONWEALTH OF PENNSYLVANIA DEPARTMENT OF ENVIRONMENTAL PROTECTION

In the Matter of:

KMP Associates, Inc. 1094 Lantz Road Avonmore, PA 15618 Ehenger and Park Mines

Permit Nos. 32940109 and 32990110

Young Township, Indiana County

POSTMINING TREATMENT TRUST CONSENT ORDER AND AGREEMENT

This Consent Order and Agreement ("Consent Order and Agreement") is entered into this 2/5/ day of 2ctober, 2009, by and between the Commonwealth of Pennsylvania,

Department of Environmental Protection ("Department"), and KMP Associates, Inc. ("KMP").

The Department has found and determined the following:

- A. The Department is the agency with the duty and authority to administer and enforce the Surface Mining Conservation and Reclamation Act, Act of May 31, 1945, P.L. 1198, as amended, 52 P.S. §§ 1396.1 et seq. ("Surface Mining Act"); the Bituminous Mine Subsidence and Land Conservation Act, Act of April 27, 1966, P.L. 31, as amended, 52 P.S. §§ 1406.1 et seq. (Subsidence Act); the Coal Refuse Disposal Control Act, Act of September 24, 1968, P.L. 1040, as amended, 52 P.S. §§ 30.51 et seq. ("Coal Refuse Disposal Act"); the Clean Streams Law, Act of June 22, 1937, P.L. 1987, as amended, 35 P.S. §§ 691.1 et seq. ("Clean Streams Law"); Section 1917-A of the Administrative Code of 1929, Act of April 9, 1929, P.L. 177, as amended, 71 P.S. § 510-17 ("Administrative Code") and the rules and regulations promulgated thereunder.
- B. Pursuant to § 4(d.2) of the Surface Mining Act, 52 P.S. § 1396.4(d.2), the Department may establish alternative financial assurance mechanisms which shall achieve the objectives and purposes of the bonding program. These mechanisms include the establishment

of a site-specific trust fund funded by a mine operator for the treatment of post-mining discharges of mine drainage. The post-mining treatment trust being established by this Consent Order and Agreement and accompanying Post-Mining Discharge Treatment Trust Agreement constitutes an alternative financial assurance mechanism authorized by § 4(d.2) of the Surface Mining Act.

- C. KMP Associates was a general partnership with a business address of 1094 Lantz Rd., Avonmore, PA 15618, whose business included the mining of coal by the surface method in the Commonwealth of Pennsylvania pursuant to Surface Mining Operator's License No. 1492. Cynthia S. Rupert, Steven P. Kravetsky and William J. Paulisick were the partners of KMP Associates and were the responsible persons for KMP's day to day operations.
- D. KMP Associates, Inc. is a Pennsylvania corporation with a business address of 1094 Lantz Rd., Avonmore, PA 15618, whose business includes the mining of coal by the surface method in the Commonwealth of Pennsylvania pursuant to Surface Mining Operator's License No. 14706. Cynthia S. Rupert is the president of KMP Associates, Inc. and is the person responsible for KMP's day to day operations.
- E. KMP Associates, Inc. ("KMP") is the permittee of the following bituminous surface coal mines that are associated with post-mining discharge liabilities:

Name	Permit No.	Township	County
Ehenger Mine Park Mine	32940109	Young	Indiana
	32990110	Young	Indiana

EHENGER MINE

- F. The permit for Ehenger Mine, Surface Mining Permit ("SMP") No. 32940109, was originally issued on July 14, 1995, to KMP Associates. On November 22, 2004, the permit was transferred to KMP Associates, Inc.
- G. All mining has been completed on the Ehenger Mine. There are two acid mine drainage discharges associated with the Ehenger Mine, which are identified as MD6 and MD1 (collectively referred to as the "Ehenger Discharges"). MD6 and MD1 are identified and located on the topographic map attached hereto as **Exhibit A**.
- H. The MD6 discharge is a degraded Subchapter F point that exceeds the baseline pollution loading rates for iron and manganese set forth in the Subchapter F special conditions of SMP No. 32940109. The MD1 discharge is a below water level, in-pond seep characterized by depressed pH; acidity greater than alkalinity; and iron and manganese concentrations that exceed the limitations of 25 PA Code §87.102. The specific water quality for MD6 and MD1 is more specifically described in **Exhibit B**, attached hereto.
- I. KMP constructed a passive treatment system to treat the MD6 discharge. This Treatment System consists of a 350 foot open limestone channel that flows into a limestone—filled pond.
- J. KMP constructed a chemical treatment system to treat the MD1 discharge. Caustic soda is dripped into the discharge, which then flows into four settling basins for solids retention. Alkaline, waste sludge from this chemical treatment system is removed by a vacuum truck and disposed of at a permitted disposal site. A third discharge, Subchapter F point MD-1, is directed to this treatment system for enhancement, only. KMP did not adversely affect MD-1. The treatment systems for the MD1 and MD6 discharges are hereinafter collectively referred to

as the Ehenger Mine Treatment Systems.

- K. The treated effluent from the Ehenger Mine Treatment Systems discharges to an unnamed tributary to Whisky Run, a water of the Commonwealth, under authority of SMP No. 32940109 and NPDES Permit No. PA0212954.
- L. The effluent limits for the MD6 discharge have been established by the Department in accordance with the requirements of Section 301 and 402 of the Federal Clean Water Act, 33 U.S.C., Sections 1311 and 1342, and represent the Department's best engineering judgment of the capacity of the best available technology economically achievable to treat the discharge. The effluent limits applicable to the MD6 discharge are as follows:

Discharge Parameter	Average Monthly (Loading in Pounds/Day)	Instantaneous Maximum (Loading in Pounds/Day)
Acidity	4.00	9.00
Iron	.15	.34
Manganese	.08	.18

M. The effluent limits applicable to the MD1 discharge are as follows:

Discharge Parameter	Average	Maximum	Instant
	Monthly	Daily	<u>Maximum</u>
Iron, total (mg/l) Manganese, total (mg/l) Total suspended solids (mg/l)	3.0	6.0	7.0
	2.0	4.0	5.0
	35.0	70.0	90.0

- pH not less than $\underline{6.0}$ nor greater than $\underline{9.0}$ at all times.
- Alkalinity must exceed acidity at all times.
- N. The Treatment Systems are constructed on property owned by Joan Ehenger.

 KMP previously obtained Consent to Right of Entry, also known as a Supplemental 'C', granting permission to conduct surface mining activities on the Ehenger property. This document was recorded in the Recorder of Deeds Office of Indiana County on December 5, 1994.

- O. The annual treatment cost for operating and maintaining the Ehenger Mine Treatment Systems is Five Thousand Four Hundred Seventy Three Dollars (\$5,473.00), and the present value of recapitalization costs is Twenty Thousand Three Hundred and Forty Six Dollars (\$20,346.00).
 - P. KMP posted the following financial instruments for the Ehenger Mine:

Instrument	Amount
DEP Financial Guarantee (Remining) #484043FG First Commonwealth Bank Letter of Credit #015R0177	\$67,500.00 \$ <u>57,000.00</u> \$124,500.00

PARK MINE

- Q. The permit for Park Mine, SMP No. 32990110, was originally issued on May 15, 2000 to KMP Associates. On February 15, 2005, this permit was transferred to KMP Associates, Inc.
- R. All mining has been completed on the Park Mine. There are three acid mine discharges associated with the Park Mine, identified as seeps A, B, and C (hereinafter collectively referred to as the "Park Mine Discharges"). The Park Mine Discharges are identified and located on the topographic map attached hereto as Exhibit A.
- S. The Park Mine Discharges are characterized by depressed pH, acidity greater than alkalinity, and manganese concentrations that exceed the limitations of 25 PA Code §87.102.

 The specific water quality for the Park Mine Discharges is more specifically described in Exhibit B, attached hereto.
- T. KMP constructed a chemical treatment system to treat the Park Mine Discharges.

 The Park Mine Discharges are collected in an open ditch, and caustic soda is dripped into the ditch where the flow of each discharge is combined. This flow is then directed to two settling

basins for solids retention. Alkaline, waste sludge from this chemical treatment system is removed by a vacuum truck and disposed of at a permitted disposal site. The treatment system for the Park Mine Discharges is hereinafter referred to as the Park Mine Treatment System.

- U. The treated effluent from the Park Mine Treatment System discharges into an unnamed tributary to Harpers Run, a water of the Commonwealth, under authority of SMP No. 32990110 and NPDES Permit No. PA0235164.
 - V. The effluent limits applicable to the Park Mine Discharges are as follows:

Discharge <u>Parameter</u>	Average <u>Monthly</u>	Maximum <u>Daily</u>	Instant <u>Maximum</u>
Iron, total (mg/l)	3.0	6.0	7,0
Manganese, total (mg/l)	2.0	4.0	5.0
Total suspended solids (mg/	1) 35.0	70.0	90.0

- pH not less than 6.0 nor greater than 9.0 at all times.
- Alkalinity must exceed acidity at all times.
- W. The Park Mine Treatment System is constructed on property owned by Charles S.
 & Delores M. Kravetsky and a Supplemental "C", Contractual Consent of Landowner, was
 recorded in the Recorder of Deeds Office of Indiana County on March 8, 1999.
- X. The annual treatment cost for operating and maintaining the Park Mine Treatment System is One Thousand Nine Hundred Fifty Dollars (\$1950.00), and the present value of recapitalization costs is Four Thousand Two Hundred Seventy Eight Dollars (\$4,278.00).
 - Y. KMP posted the following financial instruments for the Park Mine:

Instrument	Amount
DEP Financial Guarantee (Conversion Assistance) #4840104CFG DEP Financial Guarantee (Remining) #4840128FG First Commonwealth Bank Letter of Credit #015R0179	\$ 6,838.00 \$29,600.00 \$ 603.00
	\$37,041.00

Z. Surface reclamation at the Ehenger and Park Mines has been completed, except

for elimination or treatment of the Discharges and reclamation of the surface areas occupied by the Treatment Systems.

- AA. KMP has the legal responsibility to treat or abate the Ehenger Mine and Park Mine Discharges pursuant to, *inter alia*, the Surface Mining Act and Clean Streams Law.
- BB. In accordance with Paragraph 14 of this Consent Order and Agreement, KMP must obtain newly executed "Consent to Right of Entry" forms for both the Ehenger and Park Mines that grant the parties and the trustee a right of access to the properties on which the Treatment Systems are located. A copy of the "Consent to Right" of Entry form is attached hereto as Exhibit E.
- CC. KMP desires to establish a irrevocable post-mining treatment trust with First Commonwealth Bank Trust Division as an alternative financial assurance mechanism in order to provide for the long-term treatment of the Ehenger Mine and Park Mine post-mining discharges and secure the release of reclamation bonds upon completion of all other reclamation requirements. KMP agrees to establish the trust by executing a Post-Mining Treatment Trust Agreement with First Commonwealth Bank Trust Division which conforms with the Department's model trust agreement ("Trust").
- DD. In order to calculate the amount necessary to fully fund the Trust, the Department and KMP have agreed to use actual operation and maintenance costs from past operations of the Treatment Systems, or AMD Treat cost estimates where insufficient operation and maintenance cost data exist. A summary of current annual operation and maintenance costs for the Treatment Systems is as follows:

Table of Current Annual Operation and Maintenance Costs

CATEGORY	SAMPLING	LABOR	MAINTENANCE	CHEMICAL (liquid caustic soda)	SLUDGE REMOVAL
Rate	(\$/sample) \$27/sample	(\$/hr.) \$35/hour)			
Annual Cost	\$1,804	\$3,412	\$944	\$1,120	\$143

- EE. Based on actual operation and maintenance costs from past operations and AMD Treat cost estimates the current annual cost of operating and maintaining the Treatment Systems is Seven Thousand, Four Hundred and Twenty Three Dollars (\$7,423.00).
- FF. In order to calculate the amount necessary to fully fund the Trust, the Department and KMP agree to use recapitalization and demolition cost data generated by the Department's AMD Treat software tool. According to the AMD Treat software tool, the present value of recapitalization costs is Twenty Four Thousand, Six Hundred Twenty Four Dollars (\$24,624.00). The AMD Treat Recapitalization Cost schedule for the Treatment Systems is attached hereto as Exhibit F.
- GG. In order to ensure adequate funding of the alternative financial assurance mechanism, the Department requires accurate and timely information on the costs related to operation and maintenance of the Treatment Systems.
- HH. The parties have agreed to use the formulas and procedures in this Consent Order and Agreement to determine the present value of the trust. The parties agree that One Hundred Seventy Six Thousand and Five Dollars and Thirty Five Cents (\$176,005.35 @ 0.65% Trustee Fee) represents the current present value of the estimated future operation and maintenance costs for the Treatment Systems, and the current present value of the estimated future recapitalization costs for the Treatment Systems. The parties have also agreed to use the information and figures that will be provided by the Accounting required by Paragraph 4 to

recalculate and adjust the amount of the Trust as described in Paragraphs 8 and 10 below.

ORDER

After full and complete negotiation of all matters set forth in this Consent Order and Agreement and upon mutual exchange of covenants contained herein, the parties intending to be legally bound, it is hereby ORDERED by the Department and AGREED to by KMP as follows:

1. This Consent Order and Agreement is an Order of the Department authorized and issued pursuant to Section 5 of the Clean Streams Law, 35 P.S. § 691.5; Section 4.3 of the Surface Mining Act, 52 P.S. § 1396.4c; Sections 3.1 and 9 of the Coal Refuse Disposal Act, 52 P.S. §§ 30.53a and 30.59; Section 9 of the Subsidence Act, 52 P.S. § 1409.9, and Section 1917-A of the Administrative Code, 71 P.S. § 510-17. The failure of KMP to comply with any term or condition of this Consent Order and Agreement shall subject KMP to all penalties and remedies provided by those statutes for failing to comply with an order of the Department.

2. <u>Findings</u>

- a. KMP agrees that the findings in Paragraphs A through HH are true and correct and, in any matter or proceeding involving KMP and the Department, KMP shall not challenge the accuracy or validity of these findings.
- b. The parties do not authorize any other persons to use the findings in this Consent Order and Agreement in any matter or proceeding.

3. <u>Definitions</u>

- a. Accounting. The accounting method required by Paragraph 4 of this Consent Order and Agreement.
- b. <u>Actual Treatment Cost</u>. The average of three consecutive years of the costs of treatment, calculated by using the Accounting for those three years.

- c. <u>Annual Anniversary Date</u>. Thirty (30) days after the last day of KMP's fiscal year or thirty (30) days after the last day of any fiscal year that KMP may adopt in the future.
- d. <u>Calculated Treatment Cost</u>. The projected future annual costs of treatment, based on the Actual Treatment Cost, compounded at three and one tenth percent (3.1%) annually.
- e. <u>Capital Improvement Account.</u> The sub-account within the Trust that is primarily used to finance anticipated and periodic capital expenditures for the Treatment Systems.
- f. <u>Distribution Payment.</u> The Trustee's disbursement of money from the Trust made at the written direction of the Department to a person and in an amount specified by the Department, as provided by this Consent Order and Agreement.
- g. <u>Formula</u>. The equation used to calculate the Present Value of the future operation and maintenance ("O&M") of the Treatment Systems. The equation is:

PV = (A/[E-I]) + A

where: PV = Present Value of the O&M Costs

A = Actual Treatment Cost

E = Expected annual earnings/Interest Rate

I Inflation Rate (assumed to be 3.1% or .031)

- h. <u>Primary Basis Valuation</u>. One hundred percent (100%) of the present value of the future costs of operating and maintaining the Treatment Systems, as determined by the Formula.
- i. <u>Primary Target Valuation</u>. One hundred and sixteen percent (116%) of the present value of the future costs of operating and maintaining the Treatment Systems as determined by the Formula.

- j. <u>Primary Trust Account.</u> The sub-account within the Trust that is primarily used to finance annual operating and maintenance costs of the Treatment Systems.
- k. <u>Primary Trust Valuation</u>. The cash, cash equivalents, the market value of investments, and the face amount of surety bonds currently held by the Trust in the Primary Trust Account.

4. Annual Treatment Costs; Records; Factors; Accounting

- a. KMP shall maintain accurate financial records of all costs and expenses associated with operation and maintenance of the Treatment Systems. The various costs shall be reported using the following categories: Reagent; Polymer; Electrical; Sludge Removal; Labor, including benefits; Maintenance; Sampling; Overhead; and Miscellaneous. KMP shall maintain and report each individual item that comprises each general category. KMP shall keep separate records for each of the three Treatment Systems listed in Paragraphs I, J and T.
- b. KMP shall provide an annual accounting of the costs and expenses of operating and maintaining the Treatment Systems to the Department on or before ninety (90) days following the last day of the fiscal year for which the Accounting is being provided ("the Accounting"). The Accounting shall cover the period beginning the first day of January and continuing through the final day of December of each year, or other fiscal year as KMP may adopt for its corporate finances in the future, and shall be in accordance with Generally Accepted Accounting Principles. The Accounting shall be signed by the treasurer or other corporate officer responsible for the financial affairs of KMP and by the President of KMP. Each signature shall be accompanied by a written statement as follows: "The statements contained herein are made subject to the penaltics of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities."

- c. KMP's obligation to keep records and provide the Accounting shall continue for the period during which KMP is operating the Treatment Systems.
- d. In the event of a dispute about the costs and expenses of the Treatment Systems incurred by KMP, KMP shall bear the burden of proving the accuracy and completeness of the Accounting and the records upon which the Accounting is based. A Special Report prepared pursuant to Generally Accepted Accounting Principles as to the treatment costs and expenses incurred by KMP, prepared by an independent licensed public or certified public accountant, shall satisfy KMP's burden of proof under this paragraph.

5. <u>Treatment Trust</u>

- a. KMP shall establish an irrevocable Trust by executing a Post-Mining Treatment Trust Agreement with First Commonwealth Bank Trust Division. The Trust shall secure KMP's obligation to treat the Discharges, including its legal obligation to operate and maintain the Treatment Systems in perpetuity or until treatment is no longer necessary. The Trust shall also secure KMP's obligation to provide financial resources to the Department and the citizens of the Commonwealth to maintain and operate the Treatment System, and to treat the Discharges in perpetuity in the event KMP becomes unable or unwilling to meet these obligations. The Trust shall also provide for the demolition of treatment facilities and reclamation of the treatment sites should treatment no longer be needed. The agreement establishing the Trust is attached hereto as **Exhibit G**.
- b. KMP shall establish within the Trust two sub-accounts: a sub-account designated as the Primary Trust Account; and a sub-account designated as the Capital Improvement Account.

6. Funding of the Primary Trust Account

- a. Payments to the Primary Trust Account: Upon execution of this Consent Order and Agreement, KMP shall make four (4) deposits to the Primary Trust Account totaling One Hundred Seventy Six Thousand and Five Dollars and Thirty Five Cents (\$176,005.35 @ 0.65% Trustee Fee). This sum constitutes the current present value of the amount necessary to fully fund the Treatment Trust, and includes the current present value of the future operation and maintenance of the Treatment Systems and the current amount needed to finance anticipated and periodic capital expenditures for the Treatment Systems.
- b. <u>Initial Payment to the Primary Trust Account</u>: Upon execution of this

 Consent Order and Agreement, KMP shall deposit an amount of Forty Two Thousand Dollars

 (\$42,000.00) into the Primary Trust Account.
- c. Ongoing Payments to the Primary Trust Account: KMP shall make three additional payments of Forty Two Thousand Dollars (\$42,000.00) into the Primary Trust Account on or before the anniversary date of this Consent Order and Agreement. The final payment amount may need adjusted to correspond with the performance of the Trust Fund. Payments will be required without notice.
 - 7. Annual Distribution or Contribution Payments Primary Trust Account
- a. All calculations under this Paragraph shall be based on the values as determined on the Annual Anniversary Date.
- b. If at the end of any year the Primary Trust Valuation is greater than the Primary Target Valuation, then a Distribution Payment shall be made to KMP. The amount of such Distribution Payment will be equal to the difference between the Primary Trust Valuation and the Primary Target Valuation, or equal to the Calculated Treatment Cost, whichever is less. This amount is depicted graphically at Points 1, 2 and 3 on Exhibit C.

- c. If the Primary Trust Valuation is less than or equal to the Primary Target Valuation, but greater than or equal to the Primary Basis Valuation, then no Distribution Payment shall be made and no additional contribution shall be required. This provision is depicted graphically as Point 4 on Exhibit C.
- d. If the Primary Trust Valuation is less than the Primary Basis Valuation, then KMP shall make an additional contribution into the Primary Trust Account in an amount equal to the difference between the Primary Basis Valuation and the Primary Trust Valuation, or in an amount equal to the Calculated Treatment Cost, whichever is less except as provided in Paragraph 13.a. This amount is depicted graphically as Points 5 and 6 on Exhibit C. This provision does not apply until KMP has fully funded the Trust under Paragraph 6a.
 - 8. Adjustments to the Primary Target Valuation for Deviations Between Actual Treatment Cost and Calculated Treatment Cost
- a. All calculations under this paragraph shall be based on values as determined on the Annual Anniversary Date and before any Distribution Payment.
- b. If the Actual Treatment Cost for any year is greater than or equal to 110% percent or less than or equal to 90% percent of the Calculated Treatment Cost, the Department will calculate a new Primary Basis Valuation using the Formula and the newly determined Actual Treatment Cost. A new Primary Target Valuation will then be determined by calculating 116% percent of the new Primary Basis Valuation. Exhibit D is a graphical depiction of the adjustment.
 - 9. <u>Distribution Payments for Adjustments to the Primary Target Valuation</u>
- a. If the newly calculated Primary Target Valuation which has been adjusted under Paragraph 8 above is greater than the Primary Trust Valuation, then no distribution payment shall be made under this paragraph.

b. If the newly calculated Primary Target Valuation which has been adjusted under Paragraph 8. above is based on a reduced Actual Treatment Cost, and the Primary Trust Valuation is greater than the newly calculated Primary Target Valuation, then a Distribution Payment shall be made to KMP. The amount of such Distribution Payment will be equal to the percent change in Actual Treatment Cost times the Primary Trust Valuation, or in an amount equal to the difference between the Primary Trust Valuation and the newly calculated Primary Target Valuation, whichever is less. The amount of such Distribution Payment shall be determined by the following formulas:

$$DP = TR (1 - (new ATC/prior ATC))$$

or

$$DP = TR - new TV$$

Where: DP = Distribution Payment

TR = Primary Trust Valuation
TV = Primary Target Valuation
ATC = Actual Treatment Cost

10. Capital Improvement Account

- a. Assets of the Capital Improvement Account may be commingled with assets of the Primary Trust Account for purposes of investment, but must be accounted for and reported separately as if they are assets of a separate and distinct fund.
- b. The required balance in the Capital Improvement Account has been determined by use of the AMD Treat Recapitalization tool based on the following methodology: For each planned capital replacement activity, the current cost and the projected year of replacement, are determined. The future cost of each replacement activity is calculated by compounding the present cost at a rate of 3.1% annually. The year in which each replacement activity will be needed is projected based on typical component life cycles. Assuming a net rate

of return on investment of 8.43% the initial amount of the Capital Improvement Account must be sufficient to cover all anticipated expenditures for capital replacement activities for a 75-year period.

c. A schedule for the Capital Improvement Account balance and projected capital expenditures is made a part of this Agreement as **Exhibit F**. The required balance in the Capital Improvement Account may be recalculated on an annual basis or each time a Distribution Payment is contemplated under Paragraph 12. Such recalculation shall be deemed an amendment to **Exhibit F** and this Consent Order and Agreement, and shall be used in making all future calculations involving the Capital Improvement Account.

11. Transfer of Funds to the Capital Improvement Account

If the Primary Trust Valuation after any Distribution Payment under Paragraph 7 is greater than the Primary Target Valuation, then a transfer of funds to the Capital Improvement Account shall be made if the current balance in the Capital Improvement Account is less than the required balance for the current year as indicated on **Exhibit F**. The amount of such transfer will be equal to the difference between the required balance and the current balance, or in an amount equal to the difference between the Primary Trust Valuation and the Primary Target Valuation, whichever is less.

12. <u>Distribution Payments from the Capital Improvement Account</u>

a. A distribution payment shall be made to KMP any time a planned capital replacement is made as indicated on Exhibit F. The capital replacement and maintenance activities shall be made as needed, which may be sooner or later than the projected time. The amount of the Distribution Payment shall be equal to the calculated cost of the Capital Improvement as indicated on Exhibit F, or in an amount equal to the difference between the

current balance in the Capital Improvement Account and the required balance after the capital improvement Distribution Payment, whichever is less.

- b. Each time a Distribution Payment from the Capital Improvement Account is contemplated under this Paragraph or Paragraph 13 below, the required balance in the Capital Improvement Account must be recalculated to determine the required balance after the proposed Distribution Payment, and to determine the appropriate Distribution Payment.
 - 13. <u>Miscellaneous Distribution Payments from the Primary Trust Account and the Capital Improvement Account</u>

If the Primary Trust Valuation exceeds the Primary Target Valuation in the Primary Trust Account, or if the balance in the Capital Improvement Account exceeds the required balance as indicated on Exhibit F, then such surplus funds may be used for the following purposes:

- a. Surplus funds in the Capital Improvement Account shall be transferred to the Primary Trust Account to reduce or completely satisfy KMP's obligation to make a contribution payment under Paragraph 7.d. This amount is depicted graphically at Point 5 on Exhibit C. However, the amount of surplus funds transferred to the Primary Trust Account may exceed KMP's obligation under paragraph 7.d. if additional funds are needed so that the Primary Trust Valuation equals the Primary Basis Valuation. This amount is depicted graphically at Point 6 on Exhibit C.
- b. Surplus funds in the Capital Improvement Account or the Primary Trust Account may be used by KMP to pay for unanticipated capital expenditures, or anticipated capital expenditures that exceed the calculated cost of the capital improvement as indicated on **Exhibit F.**
 - c. Surplus funds in the Capital Improvement Account or the Primary Trust

Account may be used by KMP to finance implementation of a new treatment technology, provided the application of such treatment technology is first approved by the Department.

d. Surplus funds in the Capital Improvement Account or the Primary Trust Account may be used by KMP to implement remediation or abatement activities to reduce or eliminate the discharges, or to improve the quality of the discharges, provided the Department first approves such activities.

14. Real and Personal Property

- a. Within one (1) year of executing this Consent Order and Agreement, KMP shall submit original, recorded "Consent to Right of Entry" documents for the Joan Ehenger and Charles S. & Delores M. Kravetsky properties granting access, operation, and maintenance rights of access concerning the Treatment Systems. KMP shall assign to the Trustee all rights of access to the Ehenger Mine and Park Mine possessed by KMP.
- b. KMP shall convey to the Trustee title to all equipment, pumps, plumbing, structures, tanks, etc., that together compose the Treatment Systems, which are described in the Post-Mining Discharge Treatment Trust Agreement attached hereto as **Exhibit G**. Title shall be delivered to the Trustee on or before execution of this Consent Order and Agreement.

15. Public Liability Insurance

- a. KMP shall maintain in effect public liability insurance coverage for the operation, maintenance, improvement and all other activities associated with the Treatment Systems and the real and personal property which is identified in the Post Mining Treatment Trust Agreement as part of the Trust Principal. The Trustee and the Commonwealth of Pennsylvania shall be listed as additional insureds on the policy.
 - b. In addition to the requirements of Paragraph 15.a, the public liability

insurance shall be written on an occurrence basis and shall provide bodily injury and property damage coverage in the minimum amounts of \$500,000 per person and \$1,000,000 per occurrence. The insurance shall include a rider requiring the insurer to notify the Department thirty (30) days prior to substantive changes being made to the policy or prior to termination or failure to renew. Proof of insurance shall consist of a certificate of insurance filed annually with the Department which certifies KMP has a public liability insurance policy in force meeting the requirements of this Paragraph.

16. Annual Requirements

- a. The parties will meet on or before the thirtieth (30th) day following delivery to the Department of the Accounting of each year: (i) to review and discuss the Accounting for the then completed fiscal year; (ii) to review the effectiveness of the Treatment Systems and any change in the fiscal year; (iii) to resolve any issues which arise as a result of that change or the performance of the Trust; (iv) to calculate, recalculate or adjust the size of the Primary Target Valuation, the Calculated Treatment Cost, and distribution payments from or additional payments into the KMP Trust; and (v) to address any other issues that may concern this Consent Order and Agreement or its implementation.
- b. KMP shall provide annually to the Department, on forms furnished by the Department, the information required by 25 Pa. Code § 86.62(b) and (c) (relating to identification of interests).

17. KMP's Continuing Obligation

Neither KMP's agreement to fund the Trust nor the full or partial funding of the Trust, nor the exhaustion of the Trust shall in any way limit KMP's obligation to operate the Treatment Systems and to treat the Discharges in a manner that meets all applicable effluent

limitations. Furthermore, exhaustion of the Trust shall not excuse KMP's obligation to adequately treat or abate the discharges.

18. <u>Stipulated Civil Penalties</u>

- a. In the event KMP fails to comply in a timely manner with any term or provision of this Consent Order and Agreement, KMP shall be in violation of this Consent Order and Agreement and, in addition to other applicable remedies, shall pay a civil penalty in the amount of one hundred dollars (\$100.00) per day for each violation.
- b. Stipulated civil penalty payments shall be payable monthly on or before the fifteenth day of each succeeding month, and shall be forwarded to:

District Mining Manager
Department of Environmental Protection
Cambria District Mining Office
286 Industrial Park Road
Ebensburg, PA 15931

- c. Any payment under this paragraph shall neither waive KMP's duty to meet its obligations under this Consent Order and Agreement nor preclude the Department from commencing an action to compel KMP's compliance with the terms and conditions of this Consent Order and Agreement. The payment resolves only KMP's liability for civil penalties arising from the violation of this Consent Order and Agreement for which the payment is made.
 - d. Stipulated civil penalties shall be due automatically and without notice.

19. Additional Remedies

a. In the event KMP fails to comply with any provision of this Consent

Order and Agreement, the Department may, in addition to the remedies prescribed herein, pursue
any remedy available for a violation of an order of the Department, including an action to
enforce this Consent Order and Agreement.

- b. In the event KMP defaults on the obligations of this Consent Order and Agreement, KMP will be subject to a permit block on the Department's compliance tracking system and the Federal Applicant Violator System and the Department will, in addition to any other remedy or penalty prescribed herein, list KMP as a violator on the Department's compliance tracking system and on the Federal Applicant Violator System.
- c. The remedies provided by this Consent Order and Agreement are cumulative and the exercise of one does not preclude the exercise of any other. The failure of the Department to pursue any remedy shall not be deemed to be a waiver of that remedy. The payment of a stipulated civil penalty, however, shall preclude any further assessment of civil penalties for the violation for which the stipulated civil penalty is paid.

20. Reservation of Rights

The Department reserves the right to require additional measures to achieve compliance with applicable law. KMP reserves the right to challenge any action that the Department may take to require those measures.

21. <u>Liability of KMP</u>

KMP shall be liable for any violations of the Consent Order and Agreement, including those caused by, contributed to, or allowed by its officers, agents, employees, or contractors. KMP also shall be liable for any violation of this Consent Order and Agreement caused by, contributed to, or allowed by its successors and assigns.

22. <u>Transfer of Interest</u>

a. The duties and obligations under this Consent Order and Agreement shall not be modified, diminished, terminated or otherwise altered by the transfer of any legal or equitable interest in the Ehenger or Park Mines.

- b. If KMP intends to transfer any legal or equitable interest in the Ehenger or Park Mines, KMP shall serve a copy of this Consent Order and Agreement upon the prospective transferee of the legal and equitable interest at least thirty (30) days prior to the contemplated transfer and shall simultaneously inform the Director, District Mining Operations, Department of Environmental Protection, District Mining Office, 8205 Route 819, Greensburg, PA 15601, Telephone: (724) 925-5500; Facsimile: (724) 925-5557 and the District Mining Manager identified in Paragraph 23 of such intent.
- c. The Department in its sole discretion may agree to modify or terminate KMP's duties and obligations under this Consent Order and Agreement upon such transfer of interest. KMP hereby knowingly waives any right that it may have to challenge the Department's decision under this paragraph.

23. Correspondence with Department

All correspondence with the Department concerning this Consent Order and Agreement shall be addressed to:

District Mining Manager Department of Environmental Protection Cambria District Mining Office 286 Industrial Park Road Ebensburg, PA 15931

With a copy to:

Director, District Mining Operations Greensburg District Mining Office Armbrust Professional Center 8205 Route 819 Greensburg, PA 15601

24. Correspondence with KMP

a. All correspondence with KMP concerning this Consent Order and Agreement shall be addressed to:

Cynthia S. Rupert, President KMP Associates, Inc. 1094 Lantz Road Avonmore, PA 15618

b. KMP shall notify the Department whenever there is a change in the contact person's name, title, or address. Service of any notice or any legal process for any purpose under this Consent Order and Agreement, including its enforcement, may be made by mailing a copy by first class mail to the above address.

25. Force Majeure

- a. In the event that KMP is prevented from complying in a timely manner with any time limit imposed in this Consent Order and Agreement solely because of a strike, fire, flood, act of God, or other circumstance beyond KMP's control and which, by the exercise of all reasonable diligence, is unable to prevent, then KMP may petition the Department for an extension of time. An increase in the cost of performing the obligations set forth in this Consent Order and Agreement shall not constitute circumstances beyond KMP's control. KMP's economic inability to comply with any of the obligations of this Consent Order and Agreement shall not be grounds for any extension of time.
- b. KMP shall only be entitled to the benefits of this paragraph if it notifies the Department within five (5) working days by telephone and within ten (10) working days in writing of the date it becomes aware or reasonably should have become aware of the event impeding performance. The written submission shall include all necessary documentation, as well as a notarized affidavit from an authorized individual specifying the reasons for the delay, the expected duration of the delay, and the efforts which have been made and are being made by KMP to mitigate the effects of the event and to minimize the length of the delay. The initial written submission may be supplemented within ten (10) working days of its submission.

KMP's failure to comply with the requirements of this paragraph specifically and in a timely fashion shall render this paragraph null and of no effect as to the particular incident involved.

c. The Department will decide whether to grant all or part of the extension requested on the basis of all documentation submitted by KMP and other information available to the Department. In any subsequent litigation, KMP shall have the burden of proving that the Department's refusal to grant the requested extension was an abuse of discretion based upon the information then available to it

26. Severability

The paragraphs of this Consent Order and Agreement shall be severable and should any part hereof be declared invalid or unenforceable, the remainder shall continue in full force and effect between the parties.

27. Entire Agreement

This Consent Order and Agreement shall constitute the entire integrated agreement of the parties. No prior or contemporaneous communications or prior drafts shall be relevant or admissible for purposes of determining the meaning or extent of any provisions herein in any litigation or any other proceeding.

28. Attorney Fees

The parties shall bear their respective attorney fees, expenses and other costs in the prosecution or defense of this matter or any related matters, arising prior to execution of this Consent Order and Agreement

29. Modifications

Except as provided in Paragraph 10.c., no changes, additions, modifications, or amendments of this Consent Order and Agreement shall be effective unless they are set out in

writing and signed by the parties hereto.

30. <u>Titles</u>

A title used at the beginning of any paragraph of this Consent Order and Agreement may be used to aid in the construction of that paragraph, but shall not be treated as controlling.

31. Decisions under Consent Order and Agreement

Except for Paragraphs 7, 12 and 13, any decision that the Department makes under the provisions of this Consent Order and Agreement is intended to be neither a final action under 25 Pa. Code §1021.2, nor an adjudication under 2 Pa. C.S. § 101. Any objection that KMP may have to the decision will be preserved until the Department enforces this Consent Order and Agreement.

32. Successors

- a. This Consent Order and Agreement shall be fully and completely binding upon any successor of KMP. For purposes of this Paragraph, successor shall mean any corporation or entity: 1) KMP consolidates with or merges into or permits to merge with it and KMP is not the surviving corporation or entity; or 2) which acquires, by purchase or otherwise, all or substantially all of KMP's properties or assets which include, but is not limited to, voting stock of KMP. Successor does not include any corporation or other entity to which KMP transfers or assigns all or substantially all of its financial or non-financial liabilities.
- b. KMP shall notify the Department, without delay, of any successor as defined herein and shall provide such successor with a copy of this Consent Order and Agreement.

33. <u>Counterpart Signatures</u>

This Consent Order and Agreement may be executed in identical counterparts, with each counterpart signed by the respective party.

IN WITNESS WHEREOF, the parties hereto have caused this Consent Order and Agreement to be executed by their duly authorized representatives. The undersigned representatives of KMP certify under penalty of law, as provided by 18 Pa. C.S. § 4904, that they are authorized to execute this Consent Order and Agreement on behalf of KMP; that KMP consents to the entry of this Consent Order and Agreement as a final ORDER of the Department; and that KMP hereby knowingly waives its rights to appeal this Consent Order and Agreement and to challenge its content or validity, which rights may be available under Section 4 of the Environmental Hearing Board Act, the Act of July 13, 1988, P.L. 530, No 1988-94, 35 P.S. § 7514; the Administrative Agency Law, 2 Pa.C.S. § 103(a) and Chapters 5A and 7A; or any other provision of law. Signature by KMP's attorney certifies only that this Consent Order and Agreement has been signed after consulting with counsel.

FOR KMP:

Cynthia S. Rupert

President

William J. Paylisick

Vice-President

Gary A. Ealatovich

Attorney for KMP

FOR THE COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF ENVIRONMENTAL PROTECTION:

John P. Varner

District Mining Manger

George Jugovic, Jr.

Assistant Counsel

Southwest Region OCC

EXHIBITS

Exhibit A: Topographic map showing the locations of the Ehenger Mine and Park

Mine discharges as discussed in Paragraphs H and T.

Exhibit B: Raw water quality of Ehenger Mine and Park Mine discharges as

discussed in Paragraphs G and S.

Exhibit C: Graphical depiction of distribution or contribution payment amounts

discussed in Paragraph 7.

Exhibit D: Adjustment to the Primary Target Valuation for deviations between actual

treatment cost and calculated treatment cost discussed in Paragraph 8.

Exhibit E: Consent to Right of Entry document discussed in Paragraph BB and 14.

Exhibit F: Required annual balance of Capital Improvement Account for a 75-year

period discussed in Paragraphs GG and 10.

Exhibit G: Post-Mining Treatment Trust Agreement as discussed in Paragraph 5.

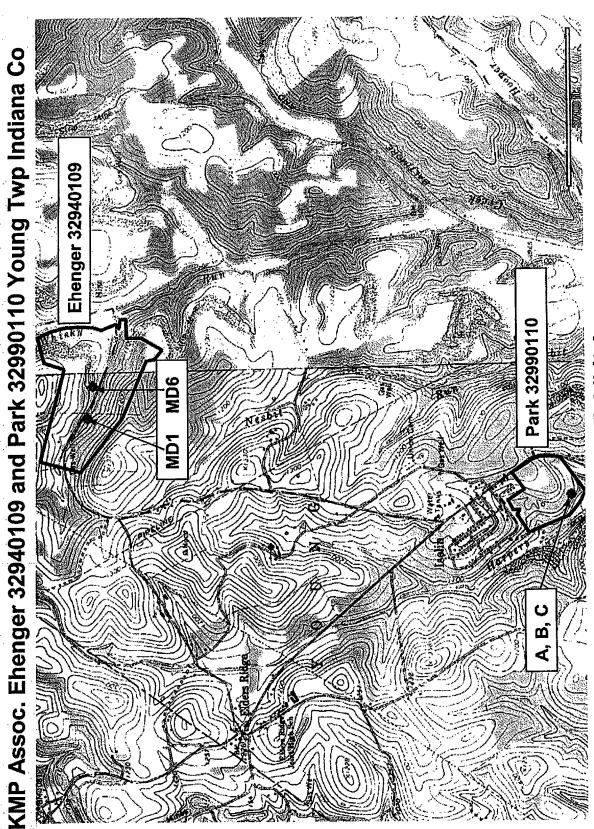


Exhibit A

Exhibit B
KMP Associates, Inc. 32940109 Ehenger Mine
Raw Discharges Quantity and Quality

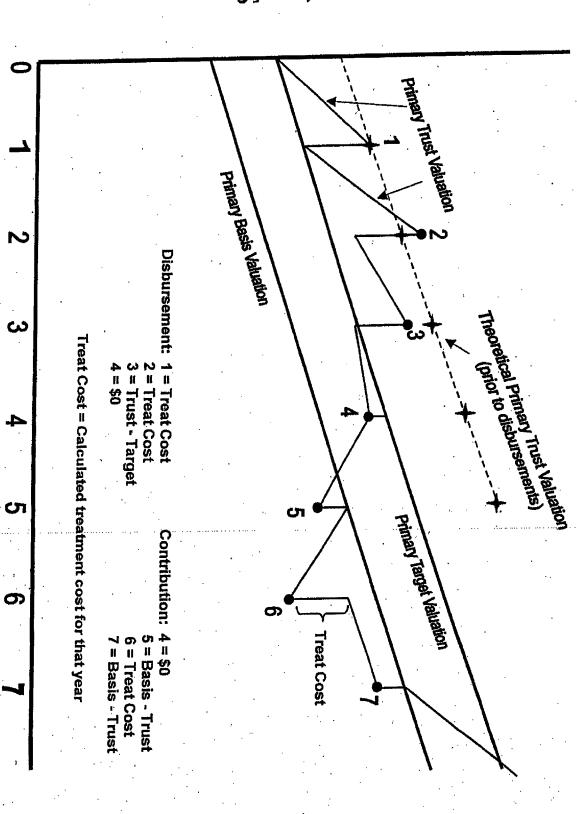
	ID No.	pН	Alkalinity (mg/l)	Acidity (mg/l)	Fe (mg/l)	Mn (mg/l)	Al (mg/l)	Sulfates (mg/l)	Maximum Flow (gpm)	Average Flow (gpm)
	MD1	5.5	0	35	15	20	3	1100	8	5
Ì	MD6	5.5	0	200	75	75	6	2500	10	3

 Compilation of the Department's analytical sampling results from 1994 thru 2009 for MD1 and MD6.

KMP Associates, Inc. 32990110 Park Mine Raw Discharges Quantity and Quality

ID No.	рH	Alkalinity (mg/l)	Acidity (mg/l)	Fe (mg/l)	Mn (mg/l)	Al (mg/l)	Sulfates (mg/l)	Maximum Flow (gpm)	Average Flow (gpm)
A	4.6	8	60	<0.3	21	1.6	1100	1.0	0.5
В	5.2	9	68	<0.3	31	0.7	.1300	2.0	0.5
C	5.4	15	54	<0.3	34	0.6	1200	2.0	1.0

• Compilation of the Department's analytical sampling results from 2002 thru 2009 for A, B, and C.



YRS

Exhibit C

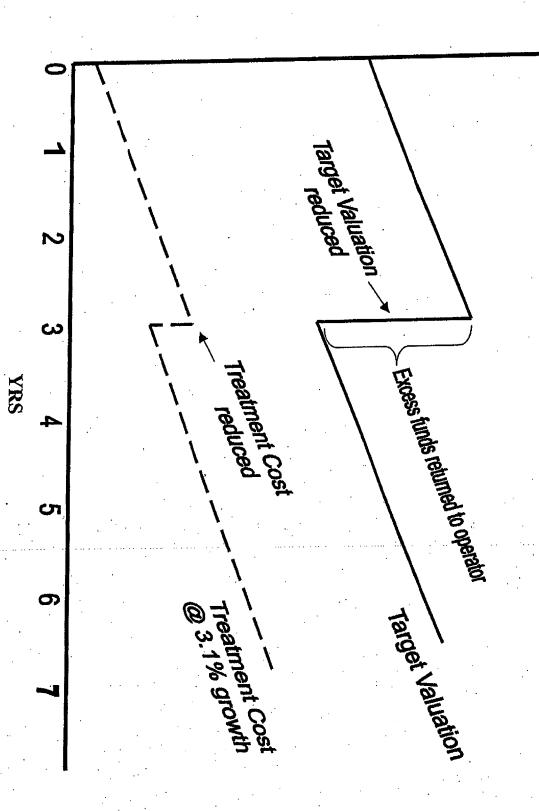


Exhibit D

COMMONWEALTH OF PENNSYLVANIA DEPARTMENT OF ENVIRONMENTAL PROTECTION BUREAU OF MINING AND RECLAMATION

	-	_	
Perm	İŧ	No	٥.

CONSENT TO RIGHT OF ENTRY FOR OPERATION AND MAINTENANCE OF MINE DRAINAGE TREATMENT FACILITY COVERED BY A POST-MINING DISCHARGE TREATMENT TRUST

Name:	Name:	
Address:	Address:	
WHEREAS, the Property Own	ner(s) own surface property containing hip,C	county, Pennsylvania,
and described in Deed Book Vo County Recorder's Office (the Pro	hip, Column, Page, in the perty);	
(DEP) is authorized to administer at Act, 52 P.S. §§ 1396.1—1396.19a their implementing regulations, inclof facilities designed to remediate the		ation and Reclamation 191.1—691.1001, and tion and maintenance
WHEREAS, [Operator] conduct pursuant to Surface Mining Permit N	ted surface mining activities on [or adja lo;	icent to] the Property
activities is discharging from or pa	ned that mine drainage caused by [ssing through the Property, and the m nger of pollution, to waters of the Comn	ine drainage on the
(COA) which require	have entered into a Consent Order and ses [Operator] to construct, operate a tion of the Property (the Treatment Fascharge(s);	and maintain mine
WHEREAS a man showing the h	oundaries of the Treatment Facility Pro	merty is attached as

Exhibit E

Exhibit A;

WHEREAS, [Operator] has established a trust with a financial institution, managed by a trustee (the Trustee), in order provide sufficient funds to guarantee [Operator's] legal obligation to operate and maintain the mine drainage treatment facilities on the Property and the [Operator's] obligation for long-term treatment, or abatement, of the post-mining pollutional discharge(s) on the Property;

WHEREAS, to comply with the COA, [Operator], DEP and the Trustee must have access to the Treatment Facility Property to conduct and/or oversee the activities required by the COA;

WHEREAS, [Operator and DEP] have requested and the Property Owner(s) is willing to grant [Operator], DEP and the Trustee a right of entry into, under, over and upon the Treatment Facility Property to construct, operate and maintain mine drainage treatment facilities;

WHEREAS, the Property Owner(s) acknowledge that treatment of the mine drainage on the Property will provide benefits to the Property Owner and to the Commonwealth through abatement of a nuisance, restoration of land affected by mining operations, and prevention of pollution to waters of the Commonwealth;

NOW THEREFORE, in consideration of the benefits which the Property Owner(s) and the general public will receive, and with the intention of being legally bound, it is agreed as follows:

- 1. <u>Right of Entry.</u> The Property Owner(s) hereby grants and conveys to [Operator], DEP and the Trustee, its employees, agents, servants, contractors and subcontractors, a right of entry into, under, over and upon the Treatment Facility Property. This right of entry includes all necessary rights of ingress, egress and regress with all personnel, materials, and equipment needed to perform the discharge treatment activities.
- 2. <u>Duration of Right of Entry</u>. The term of this Right of Entry shall extend for the length of time necessary to complete the discharge treatment activities described in the COA. It is specifically understood and agreed that the term of this Right of Entry extends for the length of time necessary to operate and maintain all mine drainage treatment facilities on the Treatment Facility Property, and shall only terminate when such treatment facilities are no longer necessary to remediate or prevent pollution to waters of the Commonwealth.
- 3. <u>Insurance</u>. DEP will require [*Operator*] and the Trustee to obtain and keep in force insurance coverage sufficient to protect against damage or injury associated with the operation and maintenance of the mine drainage treatment facilities on the Property.
- 4. <u>Property Use</u>. During the term of this Right of Entry, the Property Owner(s) will not, without the written consent of DEP, make any use of the Property which will interfere with the construction, operation or maintenance of the mine drainage treatment facilities installed on the Treatment Facility Property.
- 5. Notification. This Consent to Right of Entry shall be recorded by [Operator] in the County Recorder's Office within thirty days of its execution. In the event that the Property Owner(s) intends to sell, lease, or otherwise transfer any interest in the

Property prior to the termination of this Right of Entry, the Property Owners shall advise the prospective owner or lessee of the terms and conditions of this Right of Entry. The Property Owner(s) shall advise DEP of the intent to sell the Property prior to any sale.

- 6. Representation of Interests. The Property Owners represent that they are the only persons authorized to grant access to the Treatment Facility Property.
- 7. <u>Binding on Successors</u>. All the covenants, representations, consents, waivers and agreements contained herein shall be binding upon and inure to the benefit of the parties and their heirs, successors and assigns.

						•
The Property Owner(s) (Each owner sign and print their name under the signature	2.)				٠	•
		•				
Name:			• .			•
	•	• ,		•		
For [Operator]				•	· .	
Name:						
Title:						
		· •		•		
For the Department of Environ	mental Protection	n:	: .			•
		· · · .				
Name: Title:		•				· ·

ACKNOWLEDGEMENT

STATE OF	; ; ss	
COUNTY OF	;	
On this, the day of personally appeared	, 20, before me, the un	dersigned Notary,
	(Name (s))	
•		
	ven) to be the person(s) whose name(s) is/	
	• .	•
IN WITNESS WHEREOF, I	have hereunto set my hand and official seal	
		•
(SEAL)	My Commission Expires:	
Notary Public		

Company Name KMP Assoc

Project Ehenger and Park combined recap

Site Name Ehenger and Park

Life of Trust Fund Inflation Rate 3.10

Exhibit F Capital Improvement Account Required Annual Balance AMD TREAT



RECAPITIZALITION COST

	Return Rat	8.43 % REC		APITIZALITION COST			AMDTREAT	
Year	Trust Fund Growth Fund Before Payout	Trust Fund Growth Fund After Payout			Year	Trust Fund Growth Fund Before Payout	Trust Fund Growth Fund After Payout	Payout Schedule
	24,624	24,624	Initial Fund Amount					
1	26,699	26,699	. 0		51	87,846	87,846	0
2	28,950	28,950	0		52	95,251	95,251	0
3	31,391	31,391	0	34 4 4 7 7 3	53	103,281	103,281	0
4	34,037	34,037	0	11169/2	54	111,987	111,987	0
5	36,906	36,906	0		55	121,428	121,428	. 0
6	40,017	40,017	0		56	131,664	89,533	42,131
7	43,391	33,952	9,439	Company II	57	97,080	97,080	0
8	36,814	36,814	0		58	105,264	105,264	0
9	39,917	39,917	. 0		59	114,138	114,138	0
10	43,282	43,282	0 5		60	123,760	123,760	0
11	46,931	46,931	0		61	134,193	134,193	0
12	50,887	50,887	0		62	145,505	145,505	0
13	55,177	55,177	0		63	157,771	105,601	52,170
14	59,829	48,141	. 11,688		64	114,503	114,503	0
15	52,199	52,199	0		65	124,156	124,156	0
16	56,599	56,599	· 0		6 6	134,622	134,622	0
17	61,371	61,371	0		67	145,971	145,971	0
18	66,544	66,544	0		68	158,277	158,277	0
19	72,154	72,154	0		69	171,619	171,619	0
20	78,236	78,236	0		70	186,087	121,487	64,599
21	84,832	70,359	14,472		71	131,728	131,728	0
22	76,290	76,290	0		72	142,833	142,833	. 0
3	82,721	82,721	0		73	154,874	154,874	0
4	89,695	89,695	.0	kan Vest -	74.	167,930	167,930	0
5	97,256	57,688	39,568		75	182,086	0	182,086
6	62,551	62,551	0		76	0	0	0
7	67,824	67,824	0		77	0	0	0
B	73,542	55,621	17,921		78	0	. 0	0
9	60,310	60,310	0		79	0	0	0
	65,394	65,394	. 0		80	0	0	0
	70,907	70,907	0		81	0	0	0
<u> </u>	76,884	76,884	0		82	0	0	0
-	83,365	83,365	0		83	0	0	0
	90,393	90,393	0	- 1888	84	0	0	0
	98,013	75,822	22,191		85	. 0	. 0	0
J	82,214	82,214	0		86	. 0	0	0
	89,145	89,145	0		87	0	0	0
	96,660	96,660	0		88	0	0	0
<u> · </u>	104,808	104,808	0		89	0	. 0	0
J	113,644	113,644	0		90	0	0	. 0
	123,224	123,224	0	DOM: 0.22	91	0	0	0
 	133,612 115,080	106,133.	27,478 · 0	W100000000000	92	0	0	0
╂	124,782	115,080 124,782		WWW	93	0	0	0
 	135,301	135,301	0		94		0	0
 	146,707	146,707	0	700 F 100 F	95 96	0	0	0
	159,074	159,074	0	2000XXX	97	0	0	0
 	172,484	172,484	0	444AD354	98	0	0	0
 	187,025	152,999	34,025	253233371	99			
	165,897	81,016	84,881	2015 F 9 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	00		0	0
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