

## **ABS Financial Summary July 2008**

The completion of the reclamation of the primacy ABS bond forfeiture sites (Land Reclamation and Discharge treatment) will be funded primarily from money in the SMCR Fund. There are various accounts in the fund, some of which are describe below.

### **General Operations Account**

This account is used to pay for reclamation projects on land affected by coal surface mining; for restoration or replacement of water supplies affected by surface mining activities; or for any other conservation purposes provided under the Act. This account is used to pay some of the costs of administering the reclamation program.

Sources of income include:

- License fees from coal mining operators.
- Civil penalties from coal mining operations.
- Interest earned on the SMCR Fund

Revenue from interest on the total balance in the SMCR Fund for the fiscal year that ended June 30, 2008 was about \$2 M. The account holds unreserved/undesigned funds of about \$14.4 M. The general operations fund is managed by assigning a spending authorization on a yearly basis. The current yearly authorization is \$2,777,000.

### **ABS Land Reclamation Closeout Account**

The \$5.5 million was authorized to closeout the primacy Alternate Bonding System deficit to satisfy federal requirements. The balance as of April 25, 2008 was \$4,293,763. Please note that this balance represents some partial payments for pending projects. Therefore it is slightly less than the figure used for the calculations (\$4,431,088) which has not been reduced for these pending projects.

### **Restricted Bond Account**

The proceeds from the collection of forfeited bonds are deposited in this account. Funds are to be used for restoration of the area affected by the operation upon which liability was charged to the bond. The collected bond is restricted for use for the permit for which the bond was forfeited unless the Department determines the restoration to be impossible, unreasonable, or unnecessary. Then the money may be released to the Released bond account and used for reclaiming other lands affected by surface mining. Income is received from the forfeiture of bonds and interest.

There is \$1,766,210 available restricted bond for the primacy ABS land reclamation sites. The restricted bond for the primacy ABS bond forfeiture discharge sites (the June 2008 total is \$4,977,615) will be transferred to the ABS Legacy Sites Trust account as further described below.

### **Reclamation Fee (To be renamed Reclamation Fee O & M Trust) Account**

A per-acre reclamation fee was charged for surface mining activities as a supplement to forfeited bonds under the Alternate Bonding System. The Department decided to retain the per-acre reclamation fee to fund ABS Legacy costs, O & M of the treatment facilities on permits forfeited under the now defunct ABS. As of June 30, 2008, this account had a balance of \$3,699,896.50. This account will be funded through the continued collection of the reclamation fee. For the fiscal year 2007-2008, \$190,125 in reclamation fees were collected. This account will also be funded from revenue from civil penalties, less 5%. For the fiscal year 2007-2008, \$225,400.75 in civil penalties were collected. The other income stream for this fund will be interest earned on the account.

### **Released Bond Account**

When the Department determines in the evaluation of a bond forfeiture site that the completion of the reclamation is unreasonable, unnecessary or physically impossible, the bond amount will be made available to reclaim land and restore water supplies for which the Department has forfeited bonds. All revenue is the result of transfers from the restricted bond account. As of March 31, 2008, the released bond account had an available balance of about \$2.8 M.

### **ABS Legacy Sites Trust Account**

This account is established in the regulations approved by the Environmental Quality Board April 15, 2008. It will be funded with the collected (restricted) bonds for the ABS Primacy Discharge Sites. This amounts to \$4,977,615. The interest earned on these restricted bonds will also be transferred into this account when it is established. After this account is actuarially sound, it will be the sole funding source for the continued treatment of the primacy ABS bond forfeiture discharges.

### **Miscellaneous sources**

Other funding sources are not being accounted for, but it is likely that some of the work will be funded by the Reclamation in lieu of civil penalties program, or through reclamation by third parties.

## Land Reclamation Cost Summary

Total Estimated cost \$7,946,890

Available funds (April 2008)

ABS Closeout	\$4,431,088
Restricted bonds	\$1,716,974
General Operations (already appropriated)	\$20,844
Bond pending collection	\$68,319
Other funds needed	\$1,709,665

These will be supplemented as needed from money in the Released Bonds and General Operations accounts.

## Primacy ABS Bond Forfeiture Discharge Cost Estimate Summary (as of July 2008)

Initial Construction Costs	\$2,073,104
Annual Operation and Maintenance	\$1,351,206
Recapitalization costs (PV)	\$5,610,224

The recapitalization costs are usually characterized as a present value number. Until the ABS accounts are actuarially sound, the recapitalization costs will be provided on a “pay as you go” basis. In order to evaluate this cost a recapitalization costs schedule has been prepared. This schedule is based upon the data provided by the district mining offices on the AMDTreat Recapitalization Cost calculator. Each item’s cost was put in a spreadsheet with a value inflated to represent the cost at the expected replacement time through a 75-year period.

For example, for an item that costs \$450 and has a replacement cycle of 15 years, an inflated cost is included for years 15, 30, 45, 60 and 75. The year 15 number is \$450 inflated at a rate of 3.1% for 15 years (\$711.36), the year-30 number is \$450 inflated at the same rate for 30 years (\$1,124.53) and so on.

Then these costs were added up to obtain a result that represents the total recapitalization costs for the 75-year period. This results in a total estimated cost for recapitalization of about \$65.7 M for the 75-year period. The recapitalization schedule was then prepared assuming that an equivalent amount (accounting for inflation) would be spent each year. The annualized total recapitalization cost estimates for all of the ABS BF Discharges are included in the table below:

Year	Recap Cost	Year	Recap Cost	Year	Recap Cost
1	\$229,913.00	26	\$493,208.05	51	\$1,058,027.10
2	\$237,040.30	27	\$508,497.50	52	\$1,090,825.94
3	\$244,388.55	28	\$524,260.93	53	\$1,124,641.55
4	\$251,964.60	29	\$540,513.02	54	\$1,159,505.43
5	\$259,775.50	30	\$557,268.92	55	\$1,195,450.10
6	\$267,828.54	31	\$574,544.26	56	\$1,232,509.06
7	\$276,131.23	32	\$592,355.13	57	\$1,270,716.84
8	\$284,691.29	33	\$610,718.14	58	\$1,310,109.06
9	\$293,516.72	34	\$629,650.40	59	\$1,350,722.44
10	\$302,615.74	35	\$649,169.56	60	\$1,392,594.83
11	\$311,996.83	36	\$669,293.82	61	\$1,435,765.27
12	\$321,668.73	37	\$690,041.93	62	\$1,480,274.00
13	\$331,640.46	38	\$711,433.23	63	\$1,526,162.49
14	\$341,921.32	39	\$733,487.66	64	\$1,573,473.53
15	\$352,520.88	40	\$756,225.77	65	\$1,622,251.21
16	\$363,449.02	41	\$779,668.77	66	\$1,672,541.00
17	\$374,715.94	42	\$803,838.50	67	\$1,724,389.77
18	\$386,332.14	43	\$828,757.50	68	\$1,777,845.85
19	\$398,308.43	44	\$854,448.98	69	\$1,832,959.07

20	\$410,656.00	45	\$880,936.90	70	\$1,889,780.80
21	\$423,386.33	46	\$908,245.94	71	\$1,948,364.01
22	\$436,511.31	47	\$936,401.57	72	\$2,008,763.29
23	\$450,043.16	48	\$965,430.01	73	\$2,071,034.95
24	\$463,994.50	49	\$995,358.35	74	\$2,135,237.04
25	\$478,378.33	50	\$1,026,214.45	75	\$2,201,429.39

### Partially Funded Trusts

The list of primacy ABS bond forfeiture discharges includes some permits for which there is a partially funded trust in place. For the purpose of this analysis, those sites have been included in the cost estimates, even though some of the costs will be borne by a trust. Decisions will be made to determine how the funding of these sites will be managed on a case-specific basis.

Primacy ABS bond forfeiture discharge cases with partially funded trusts include C & K Coal Company, Ed Hanslovan Coal Company, Inc and K & J Coal Company. The cash values for these trusts are listed below:

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Company	Value	Value Date
C & K Coal Company	\$9,276,164.60	March 31, 2008
Ed Hanslovan Coal Company, Inc	\$75,368	March 31, 2008
K & J Coal Company	\$1,051,229.28	March 31, 2008

Note: Alternative enforcement actions are intended for some cases that could result in full-cost bonding, a fully funded trust or cost recovery. However, these sites have been included in this analysis as if they will have to be funded as ABS sites.