

**PUBLIC SERVICE COMMISSION
Reclamation Division**

Memorandum

TO: Commissioners Kalk, Christmann and Fedorchak
Darrell Nitschke, Executive Secretary
Illona Jeffcoat-Sacco and Ryan Norrell

FROM: ^{BB} Bruce Beechie, ^{DKM} Dean Moos and ^{JL} Jim Deutsch

DATE: July 3, 2013

SUBJECT: Revision No. 30 to Permit No. NAFK-8405 held by the Falkirk Mining Company, Case No. RC-12-763

On October 5, 2012, the Falkirk Mining Company filed the application for Revision No. 30 to Permit NAFK-8405 to add plans for the re-mining of the abandoned Figenskau underground coal mine that is located in the S½ of Section 13, T146N, R82W, which is located adjacent to, and just north of State Highway 200 about three miles east of Underwood. The Reclamation Division has completed its review of this revision application and respectfully recommends that it be approved.

Falkirk applied for this revision to commence coal removal and reclamation operations of the former Figenskau underground mine area. The abandoned Figenskau mine area encompasses approximately 100 acres that was previously mined by underground methods in the 1930's and 1940's and is located within Falkirk's approved permit area. Re-mining through the largest portions of this abandoned mine area is expected to be completed in approximately five years. NDAC 69-05.2-13-06 provides for the re-mining of abandoned underground mines and acknowledges the improved resource recovery and elimination of hazards to public health and safety as a result of proper re-mining and reclamation.

Falkirk submitted the affidavits of publication of the newspaper notice that was published on November 8, 15, 21, and 29 in the Bismarck Tribune, McLean County Independent, Underwood News and Washburn Leader. We also notified the appropriate agencies, affected landowners and the advisory committee members of this application. We received no objections to the revision application.

As part of Revision No. 30, Falkirk is being required to increase the performance bond amount for Permit NAFK-8405 due to an update to the worst-case reclamation cost estimate that is used for setting the minimum bond amount. Permit NAFK-8405 is included in the consolidated bond area that also includes Permits NAFK-8705 and NAFK-9503. This consolidated bond area is currently covered by a combination of surety, collateral and self bonds that total \$74,450,000. The updated reclamation cost estimate shows that the total bond amount must be increased to at least \$76,455,368. Falkirk will be submitting fully executed surety and self bond documents prior to the July 10th Commission meeting that increase the total bond amount for this consolidated bond area to \$76,500,000.

Falkirk is increasing Self-Bond No. SB-9503-1 from \$67,005,000 to \$68,850,000, an increase of \$1,845,000. This self-bond is guaranteed by Great River Energy and they

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meet financial criteria required by state and federal rules for guaranteeing a self-bond. The Commission has had a longstanding policy to limit the amount of self-bonds to 90% of the total bond amount for a permit or bond area. The other 10% (or more) of the bond amount must be in the form of a surety or collateral bond or a combination thereof. Falkirk is also increasing the surety bond for the consolidated bond area from \$1,423,500 to \$1,628,500, an increase of \$205,000. The collateral bond for this bond area remains unchanged at \$6,021,500. Also, it has been the Commission's practice to formally approve self and collateral bond documents.

Attached for your consideration at the July 10, 2013 Commission meeting are the proposed motion, revision award form, and the newspaper notice that we are required to publish following the approval of a significant permit revision.

Attachment

Minedata/Falkirk/Permits/NAFK-8405/Revisions/No.30/Rev30_memo_7-3-13