

**PUBLIC SERVICE COMMISSION**  
**Reclamation Division**  
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**Memorandum**

**TO:** Commissioners Fedorchak, Christmann and Kalk  
Darrell Nitschke  
Illona Jeffcoat-Sacco

**FROM:** Jim Deutsch, Dean Moos, and Zanna Brinkman  
*Jim Deutsch DKM ZAB*

**DATE:** September 14, 2015

**SUBJECT:** Increase to self-bond SB-9503-1 covering permits NAFK-9503,  
NAFK-8705, and NAFK-8405 held by Falkirk, Case No. RC-15-660

The Falkirk Mining Company recently filed a revision application that included changes to the worst-case reclamation cost estimate for determining the minimum bond amount for the consolidated bond area at the Falkirk Mine. The consolidated bond area includes Permits NAFK-8405, NAFK-8705, and NAFK-9503. These changes resulted in an increase in the required bond amount. Falkirk filed a rider to increase the amount of the self-bond and a stipulation of bond increases to cover the increased liability. We recommend that the Commission approve the rider that increases the self-bond.

The total bond amount for the consolidated bond area covering Permits NAFK-8405, NAFK-8705, and NAFK-9503 was \$86,000,000 and the new minimum bond amount increased to \$88,626,612. Falkirk filed the self-bond rider and the surety bond stipulation to increase the total bond amount for the consolidated bond area to \$88,700,000.

Existing collateral bond CB-9503-4 in the amount of \$6,021,500 and the surety bond that was recently increased to \$2,848,500 represent 10% of the total bond amount. The other 90% is in the form of a self-bond that is guaranteed by Great River Energy (GRE). That bond, SB-9503-1 is being increased to \$79,830,000. It has been the practice of the Commission to allow mining companies to self-bond up to 90% of the total bond amount. The other 10% must be in the form of a collateral or surety bond. Funds from collateral and surety bonds would be more readily available than funds from a self-bond to begin reclamation work in the unlikely event of bond forfeiture.

We have reviewed the self-bond documents and found that they have been properly executed. Falkirk and GRE meet the applicable self-bond requirements. Certain financial criteria must be also met in order to guarantee a self-bond. GRE meets the criteria by having an "A" bond rating. GRE currently has an "A-

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rating from both Standard and Poor's and the Fitch Ratings Service. Also, the maximum amount of self-bonds that a company may guarantee is 25% of its tangible net worth. The self-bond amount being guaranteed by GRE is about 18.8% of its tangible net worth.

Attached for your consideration at the September 16, 2015 Commission meeting is a proposed motion to approve the increase of Falkirk's self-bond.

Attachment

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