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PUBLIC SERVICE COMMISSION
Reclamation Division

Memorandum

TO: Commissioners Fedorchak, Christmann and Kroshus
Steven Kahl, Executive Director
John Schuh, General Counsel

FROM: ^{DKM} Dean Moos, ^{WF} Zanna Brinkman, ^{BC} Matt Fischer, Preston Ripplinger

DATE: April 1, 2021

SUBJECT: Increase to self-bond SB-9503-1 covering permits NAFK-9503, NAFK-8705, and NAFK-8405 held by Falkirk, Case No. RC-21-115

The Falkirk Mining Company recently filed an 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 that total 49,755.5 acres. The worst case reclamation cost estimate increased due an update to the variable costs that were detailed under Policy Memo No. 16 to Mine Operators. Falkirk filed riders to increase the amount of the current surety and self-bonds to cover the increased liability. The total bond amount for the consolidated bond area was \$88,700,000; the riders will increase the total bond amount to \$99,450,000. We recommend that the Commission approve the rider that increases the self-bond.

Existing collateral bond CB-9503-4 in the amount of \$6,021,500 and the surety bond that was recently increased to \$3,923,500 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 \$89,505,000. 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-" rating from both Standard and Poor's and the Fitch Ratings Service, and an "A3" rating from Moody's Investors 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 24.8% of its tangible net worth.

Attached for your consideration at the April 1, 2021 Commission meeting is a proposed motion to approve the increase of Falkirk's self-bond.

Attachment

Falkirk Mine\Permits\NAFK - 8405\Admin Correspondence\2021\SB-9503-1_memo_4-1-2021
Falkirk Mine\Permits\NAFK - 8705\Admin Correspondence\2021\SB-9503-1_memo_4-1-2021
Falkirk Mine\Permits\NAFK - 9503\Admin Correspondence\2021\SB-9503-1_memo_4-1-2021