

PUBLIC SERVICE COMMISSION
Reclamation Division

Memorandum

TO: Commissioners Christmann, Haugen-Hoffart, and Fedorchak
Steven Kahl, Executive Director
Jack Schuh, General Counsel
ZAB

FROM: Zanna Brinkman

DATE: June 28, 2023

SUBJECT: Self bond increase and replacement of the collateral bond covering all permits held by the Coteau Properties Company, Case No. RC-23-233.

Summary – Coteau Properties Company filed the application for Revision No. 50 to Permit No. NACT-0401 for the Freedom Mine to update the worst-case reclamation cost estimate for determining the minimum bond amount for the consolidated bond area that covers all permits at the Freedom Mine. The revision updated the costs using the Reclamation Division’s 2022 annual update of the variable costs under Policy Memo No. 16 to Mine Operators. We have completed a review of that estimate and determined that the bond amount for the consolidated bond area needs to be increased. Coteau filed a rider to increase the self bond and a new collateral bond to replace the existing collateral bond to cover the increased liability. We respectfully recommend that the Commission approve the increase in the self bond, and the replacement collateral bond.

Discussion – The current bonds for the consolidated bond area covering all permits at the Freedom Mine total \$186,000,000. The total bond amount has to be increased as a result of the new reclamation cost estimate that is based on a worst-case reclamation condition in all permits at the Freedom Mine. The minimum bond amount is now \$193,325,874. Coteau usually pads the bond amount for unexpected operational changes and has filed a rider to increase the amount of the self-bond and provided a new collateral bond that total \$200,000,000.

The amount of the new collateral bond is \$20,000,000 and the self-bond amount is being increased to \$180,000,000. Basin Electric Power Cooperative is the third party guarantor. We allow mining companies to provide up to 90% of the bond amount in the form of a self-bond. The other 10% must be in the form of a collateral or surety bond. We assume funds from collateral or 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 they have been properly executed and that Coteau and Basin meet the applicable self-bonding requirements. Certain financial criteria must be also met in order to guarantee a self-bond and Basin meets these criteria by having a bond rating of “A” from S&P (April 2022).

The new collateral bond (Collateral Bond CB-9501-10) will total \$20,000,000. Coteau will roll-over the funds from the existing collateral bond (\$18,600,000) being held in escrow at the Bank of North Dakota into the new collateral bond and they have provided a cashier's check for \$1,400,000. The escrow agreement for the new collateral bond will need to be executed by the Commission as well as the Bank of North Dakota following Commission approval of the new bond document.

Coteau has also submitted a rider to cancel existing Collateral Bond No. CB-9501-9 so the funds can be rolled into the new collateral bond. This rider does not need commission approval, but it does need the signature of the portfolio holder.

Attached for your consideration at the June 28, 2023 Commission meeting are the proposed motion, letter to the Bank of North Dakota and the escrow agreement for the new collateral bond that needs to be signed by all three Commissioners.

The rider to cancel the current collateral bond is also attached for the portfolio holder's signature.

Attachments