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FINANCIAL ASSURANCE COST ESTIMATE FORM INSTRUCTIONS

This form is intended to comply with the requirements of California's Surface Mining and Reclamation Act (SMARA – Public Resource Code Sections 2710 et seq., and the associated California Code of Regulations found in Title 14, division 2, beginning at 3500, hereinafter respectively "PRC" or "CCR") and specifically PRC §2773.1(a)(4).

The amount of a financial assurance mechanism required for reclamation of a surface mining operation must be approved and established prior to operations, and annually thereafter approved following a review and, if necessary, adjusted each calendar year. PRC §2773.4(d)(1) requires that annual Financial Assurance Cost Estimates (FACE) shall be submitted to the lead agency for review within 30 days of an annual inspection or within 30 days of the inspection date requested on the operator's Annual Report, Form MRRC-2. FACE's for new reclamation plans or reclamation plan amendments shall be approved by the lead agency, and the existing financial assurance mechanism adjusted, prior to the commencement of operations or substantial deviation, respectively.

Pursuant to PRC §2773.1(a)(4), preparers of FACEs (surface mine operators, licensed engineers, or other professionals experienced in the reclamation of mined lands) shall use Form FACE-01 to calculate the amount of the financial assurance mechanism necessary to guarantee reclamation.

The amount of financial assurance required of a Surface Mining Operation (SMO) represents the cost for the lead agency or the Division of Mine Reclamation to complete reclamation in accordance with the approved reclamation plan utilizing third party contractors (CCR §3804(a)(2)) in the event the operator is unable to do so. Reclamation of SMO's by a lead agency or the Department is presumed to be a "public works project" as defined in California Labor Code (Division 2, Part 7, Chapter 1, Article 1, Section 1720) and subject to requirements of California's Prevailing Wage Law. Hourly labor costs used for calculation of the financial assurance shall be the sum of the Department of Industrial Relations listed prevailing wage for the chosen labor category and the employer labor burden (payroll taxes, workers comp, etc., paid hourly by an employer). In addition, equipment costs and production rates shall be supported by accepted construction estimating handbooks or supported by properly prepared third party estimates, bids, or cost calculations.

Prior to preparing the cost estimate, review the approved reclamation plan and any amendments as well as the most recent lead agency inspection report. In addition, it is recommended the preparer review any documents included by reference, including conditions of approval, other permit requirements and supplementary documents such as environmental documents prepared for the project pursuant to the California Environmental Quality Act (Division 13 (commencing with Section 21000)) that specifically relate to reclamation of the mine site.

Please read the following instructions carefully before preparing the cost estimate. If a section is not applicable, please indicate so with a brief statement. Sections may be duplicated as needed to capture each activity required to accomplish reclamation.

SECTION I – SUPPORTING DOCUMENTS

Reclamation Plan Approval date and Number: Provide the date of approval and document number for the reclamation plan and any subsequent amendments.

Documents made part of Reclamation Plan by Reference: Provide information regarding other documents included in the reclamation plan by reference, including conditions of approval, other permit requirements and supplementary documents, such as environmental documents prepared for the project pursuant to the California Environmental Quality Act (Division 13 (commencing with Section 21000) that specifically relate to reclamation of the mine site.

Wage Rates used in Cost Estimate: Provide citations to published labor handbooks used to calculate labor burden. Reclamation of SMO's by a lead agency or the Department is presumed to be a "public works project" as defined in California Labor Code (Division 2, Part 7, Chapter 1, Article 1, Section 1720) and subject to the requirements of California Prevailing Wage Law. Hourly labor costs used for calculation of the financial assurance shall be the sum of the Department of Industrial Relations listed prevailing wage for the chosen labor category and the employer labor burden (payroll taxes, workers comp, etc., paid hourly by an employer).

Equipment Rates Used in Cost Estimate: Provide citations to published equipment cost handbooks or third party estimate used to calculate financial assurance.

Equipment Production Rates used in Cost Estimate: Provide citations to published equipment production rates or third party estimate used to calculate financial assurance.

Attachments: Subcontractor and/or supplier quotes, and/or third party estimates, and relevant references relied upon to calculate the cost estimate shall be attached to the FACE form and listed in "Attachments."

SECTION II – DESCRIPTION OF CURRENT SITE CONDITIONS

Provide a brief description of current site conditions with a focus on details that relate to the cost of reclamation and are required to meet the performance standards of the approved reclamation plan; such as: plant structures, foundations, equipment, stockpiles (material, waste, and import), total disturbed area, highwall/slope angles, pit depth, ponds, erosion control, streams and wetlands, sensitive species, revegetation, etc.

SECTION III – DESCRIPTION OF ANTICIPATED SITE CONDITIONS

Provide a brief description of the anticipated condition of the mine site in one year with a focus on details that relate to the cost of reclamation, and are required to meet the performance standards of the approved reclamation plan, such as: plant structures, foundations, equipment, stockpiles (material, waste, and import), total disturbed area, highwall/slope

angles, pit depth, ponds, erosion control, streams and wetlands, sensitive species, revegetation, etc.

SECTION IV – PLANT STRUCTURES AND EQUIPMENT REMOVAL

Current Site Condition: Provide a description of the current plant site conditions and structures present.

Reclamation Performance Standard (End Use): Describe the performance standards for reclamation and the end use of the plant area required by the approved reclamation plan

Describe Tasks: Describe the anticipated tasks to achieve the required performance standards and end use described by the approved reclamation plan.

Methods to be Used: Estimate the equipment and labor costs of dismantling and/or demolition and removal of structures, equipment, debris, and final cleanup of the mine site. Specific equipment, structural materials, and/or debris may have salvage value. Salvage value may be used only to offset the cost of removal of that specific item, excess salvage value may not be used to offset any other cost of reclamation. If salvage value is being claimed, documentation must be provided to the lead agency for review. Third party estimates, bids, cost calculations, verifying salvage values shall be attached to the form and listed in “Attachments” in Section 1. Third party estimates, bids, or cost calculations for reclamation and/or surplus/salvage value shall include the following information:

- Name and location of company or contractor
- Statement of qualification and experience
- Location of mine site and California Mine ID#
- Description of such work
- Dates that third party estimates, bid, or cost calculations are in effect

The operator must also reduce the claimed salvage value for any liens or other encumbrances held against salvage valued items. In the event of abandonment, competing financial interests and liens may restrict the lead agency’s ability to fully capitalize the value from equipment and recycled materials. Liens against the property must be disallowed with a Court order. Therefore, a third-party salvage quote shall require a sworn statement indicating that the included structures and equipment are free of any encumbrances.

The value of overburden, fines, stockpiled pit run or processed material may not be used to offset the cost of removal of such materials.

SECTION V – PRIMARY RECLAMTION ACTIVITY

Section V shall be used to calculate the cost of primary reclamation activities required to meet the performance standards of the approved reclamation plan and the site end use. Primary reclamation activities may include:

- Grading – cuts, fills, export, etc.
- Erosion Control (BMP's, Structures)
- Ponds/Detention Basins
- Stream and Wetland Protection
- Sensitive Wildlife and Plant Protection
- Soil/Overburden Stockpile Management
- Closure of Adits

It is recommended that Section V be duplicated as needed to calculate the primary cost of each activity required to meet the end use and reclamation performance standards. List the activity being estimated at the top of first page of Section V.

Current Site Conditions: Provide a brief narrative describing the anticipated condition of the site as it relates to the reclamation activity being estimated, such as the current/anticipated slope angle of the highwall.

Reclamation Performance Standard (End Use): Provide a description of the performance standards/reclamation requirements detailed in the Supporting Documents, cited in Section I, that pertain to the primary reclamation activity being estimated.

Describe Tasks, Methods, Equipment, etc.: Provide a description of the tasks required to complete the activities being estimated. Include a description of the equipment and materials needed to complete reclamation of the activity being estimated.

Provide Quantities: Provide estimates of the volumes of overburden, topsoil, import, and export, etc., that will need to be handled to accomplish reclamation. Describe anticipated acres of disturbance, haul distances, and equipment production rates.

Methods to be Used:

Estimate the cost of equipment, labor, and materials required to meet end use and reclamation performance standards. Equipment and materials included in this section shall be from accepted published sources such as Caltrans Equipment Rental Rate and Labor Surcharge, Caterpillar Performance Handbook, Means Heavy Construction Handbook, etc. Labor rates shall be calculated on the sum of the Department of Industrial Relations published prevailing wage for the chosen labor category and the employer labor burden (payroll taxes, workers comp, etc., paid hourly by an employer).

NOTE: Any costs for remediation of contamination (or any otherwise hazardous materials) must be covered by a financial assurance. If contamination or any hazardous materials exists at this site then remediation costs must be included in this cost estimate unless it is verified to be included in a financial assurance of another government entity also with jurisdiction over this mining operation.

PRC §2773.1(a) (5) provides that *“if a surface mining operation has received approval of its financial assurances from a public agency other than the lead agency, the lead agency shall deem those financial assurances adequate for purposes of this section, or shall credit them toward fulfillment of the financial assurances required by this section, if they are made payable to the public agency, the lead agency, and the department and otherwise meet the requirements of this section. In any event, if a lead agency and one or more public agencies exercise jurisdiction over a surface mining operation, the total amount of financial assurances required by the lead agency and the public agencies for any one year shall not exceed that amount that is necessary to perform reclamation of lands remaining disturbed. For purposes of this paragraph, a “public agency” may include a federal agency.”*

The lead agency may be included on other agency financial assurance mechanisms if they so choose to fulfill the closure, maintenance and monitoring requirements.

Section VI - Revegetation

Section VI shall be used to calculate costs associated with revegetation of disturbed areas. Revegetation activities may include, but are not limited to: soil preparation/amendment, mulching, installation of irrigation systems, watering, custom seed/plant collection, nursery services, seed mixes (pure live seed) and containerized plants, hydroseeding, seed/plant installation, plant protection, and remediation. Refer to the approved reclamation plan or revegetation program to determine the various tasks and materials required to revegetate the site.

Current Site Condition: Provide a brief description of the current conditions at the site as it relates to revegetation, such as the amount of topsoil stored or needed for import and acres requiring revegetation, etc.

Reclamation Performance Standard (End Use): Provide a description of the performance standards/reclamation requirements detailed in the Supporting Documents, cited in Section I, that pertain to revegetation of the site.

Describe Tasks: Describe the required tasks anticipated to complete reclamation in accordance with the approved reclamation plan. Tasks may include decompaction, placement of growth medium, seeding, planting, construction of irrigation systems, fencing, etc.

Methods to be used: Estimate the cost of equipment, labor, and materials required to meet end use and reclamation performance standards. Equipment and materials costs included in this section shall be from published sources or supported by contractor bids or estimates. Labor rates shall be calculated on the sum of the Department of Industrial Relations listed prevailing wage for the chosen labor category and the employer labor burden (payroll taxes, workers comp, etc., paid hourly by an employer).

Provide the unit of measure (i.e. pallet, pound, ton) in the materials table for the type of material to be used.

Section VII- Miscellaneous Costs

Section VII shall be used to list any miscellaneous costs for materials, any applicable taxes and employer 'labor burden' (payroll taxes, workers comp, etc., paid hourly by an employer) when not included elsewhere, and labor or services required to complete final reclamation and closure of the site (i.e. plant decommissioning, lead agency final inspections, reclamation mitigation measures, etc.). Using the table provided, list the items or services required, the quantity, unit costs (if applicable) and total costs. Indicate the sum of these costs at the bottom of the page.

Section VIII – Monitoring Costs

Section VIII shall be used to list costs of required monitoring of the site once initial reclamation has been completed. The costs may include monitoring for successful revegetation and habitat establishment, slope stability, erosion control, access controls, or site remediation (i.e. process reagents/hydrocarbons). Monitoring required by other agencies (i.e. California Regional Water Quality Control Board) that are covered under a separate financial assurance mechanism should be listed for reference. Using the table provided, list the monitoring task, the cost per site visit (include all costs associated with planning and completing the site visit), the number of site visits per year, the number of monitoring years and total cost. Indicate the sum of these costs in the space provided below the table. If a consultant will be conducting the monitoring, provide a copy of the estimate or contract. Remember, the costs of a site visit start well before arriving at a site and continue after leaving a site in the form of pre-visit preparations and post-visit record keeping and report preparation.

Section IX – Summary of Costs

Summarize the costs calculated in Sections IV through VIII.

Section X – Supervision/Profit & Overhead/Contingencies/Mobilization

Section X includes costs for supervision of reclamation activities, profit and overhead, contingencies (unforeseen costs) and mobilization (the cost of moving equipment to and from the site). These costs are based on a percentage of the total direct costs which typically decline as project size increases. Refer to Graph 1 and Graph 2 on page 8 to determine the percentage rate to be used.

- A. Supervision - Supervision or reclamation management includes project inspection and supervision. These activities are usually performed by a consultant or staff member with experience in reclamation of disturbed lands. Reclamation management may include recommending change orders, verifying completed work, verifying compliance

with project specifications, and other reclamation management oversight activities. Please refer to Graph No. 1 to determine the supervision cost factor.

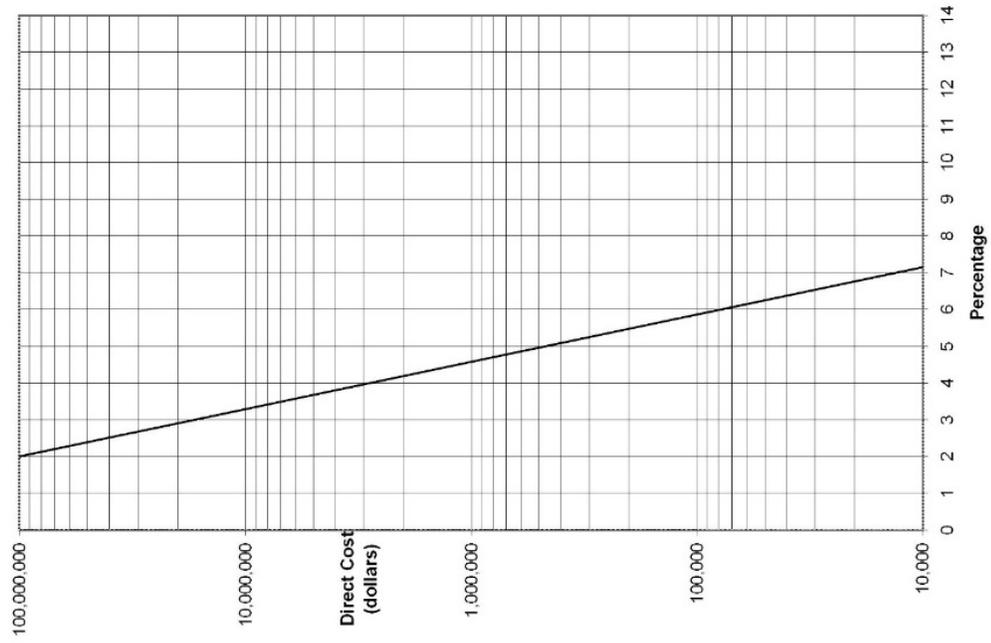
- B. Profit and Overhead - Where it becomes necessary for the Lead Agency or the Department of Conservation to complete reclamation of the mining site, a third party will be retained to do the actual reclamation work. Because profit and overhead costs are not included in the reclamation cost sheets, these costs must be added to the total reclamation estimate. Please refer to Graph No. 2 to determine the profit and overhead cost factor.
- C. Contingencies - A contingency cost should be included in the financial assurance estimate to provide for project uncertainties and unexpected natural events. The U. S. Department of the Interior, Office of Surface Mining publishes the Handbook for Calculation of Reclamation Bond Amounts which recommends contingency percentages be based upon the level of direct costs, as shown below:

<u>Total Direct Cost (\$)</u>	<u>Contingency (%)</u>
0-\$499,999	10
\$500,000 – \$4,999,999	7
\$5 million - \$50 million	4
Greater than \$50 million	2

- D. Mobilization - Mobilization costs are attributed to moving equipment to the project site for reclamation purposes. These costs normally range between one and five percent of the total direct cost of the reclamation operations. These costs will vary depending upon the site location and the total value of the reclamation operations to be performed and may exceed five percent. Please insert the percentage used to estimate mobilization costs under Section X – Supervision/Profit & Overhead/Contingencies/Mobilization.
- E. Lead agencies should include an administrative cost to draw on the financial assurance and implement the reclamation plan, should it become necessary. This cost shall be added to the reclamation costs using the schedule below:

<u>Total Direct + Indirect Costs (\$)</u>	<u>Lead Agency Administrative Cost (%)</u>
0 – 99,999	15
100,000 – 499,999	12
500,000 – 999,999	10
1 million – 10 million	8
Greater than 10 million	5

Graph 1 -- Reclamation Management



Graph 2 -- Profit and Overhead

