



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT



ARNOLD
SCHWARZENEGGER
GOVERNOR

For Meeting Date: July 10, 2008

Agenda Item No. 6: Approval of Adjusted Financial Assurance Cost Estimate for the Marin Quarry (CA Mine ID #91-09-0015), Sierra Pacific Industries (Operator), Mr. Bob Mertz (Agent), El Dorado County.

INTRODUCTION: The State Mining and Geology Board (SMGB) is the lead agency for El Dorado County, pursuant to the Surface Mining and Reclamation Act of 1975 (SMARA, Public Resources Code (PRC) Section 2710, et seq.). SMARA requires that each surface mining operation maintain a financial assurance in an amount adequate to reclaim, in accordance with the requirements of an approved reclamation plan, the land disturbed by the mining operation at the conclusion of mining activities. SMARA lead agencies are required to annually review the financial assurance amounts for each surface mining operation, and adjust the amount, as necessary, to account for new land disturbed, inflation, or land reclaimed. In any event, the lead agency must ensure that the approved amount is adequate to reclaim the mine site according to the reclamation plan requirements (PRC Sections 2770 and 2773.1, and California Code of Regulations (CCR) Section 3804).

STATUTORY AND REGULATORY AUTHORITY: Financial assurance cost estimate adjustment requirements are discussed under SMARA, and within the SMGB's regulations and guidelines. Lead agencies are required to assure that financial assurances for reclamation are sufficient pursuant to Division 2, Chapter 9, Article 5 of PRC Section 2770(d) which states:

"The lead agency's review of reclamation plans submitted pursuant to subdivision (b) or of financial assurances pursuant to subdivision (c) is limited to whether the plan or the financial assurances substantially meet the applicable requirements of Sections 2772, 2773, and 2773.1, and the lead agency surface mining ordinance adopted pursuant to subdivision (a) of Section 2774, but, in any event, the lead agency shall require that financial assurances for reclamation be sufficient to perform reclamation of lands remaining disturbed. Reclamation plans or financial assurances determined to substantially meet these requirements shall be approved by the lead agency for purposes of this chapter. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. The



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operator has 60 days to revise the plan or financial assurances to address identified deficiencies, at which time the revised plan or financial assurances shall be returned to the lead agency for review and approval.”

In addition, PRC Section 2773.1(a) states:

“...Lead agencies shall require financial assurances of each surface mining operation to ensure reclamation is performed in accordance with the surface mining operation's approved reclamation plan, as follows:

(3) The amount of financial assurances required of a surface mining operation for any one year shall be adjusted annually to account for new lands disturbed by surface mining operations, inflation, and reclamation of lands accomplished in accordance with the approved reclamation plan.”

Furthermore, the SMGB's regulations pursuant to Article 11 of the CCR Section 3804, Calculation of Financial Assurance Amount, states:

“(a) The Financial Assurance Amount shall be calculated as prescribed in Public Resources Code Section 2773.1 and based on:

- (1) an analysis of the physical activities and materials necessary to implement the approved reclamation plan;*
- (2) the lead agency's unit costs, or costs for third party contracting, for each of these activities, if applicable;*
- (3) the number of units of each of these activities, if applicable;*
- (4) a contingency amount not to exceed 10% of the reclamation costs.*

(b) The calculated amount should not include the cost of completing mining of the site.

(c) In order for the lead agency or the Department of Conservation to determine what annual adjustments, if any, are appropriate to the Financial Assurance Amount, the operator shall annually submit to the lead agency a revision of the written calculation required under Section 3804(a).”

BACKGROUND: The Marin Quarry is located on the south-facing flank of Peavine Ridge above the South Fork of the American River. The quarry is underlain by fine- to coarse-grained granodiorite of Mesozoic age, which is mined for crushed sand and gravel aggregate products. Following blasting of bedrock, excavated materials are crushed, screened,



stockpiled and subsequently hauled to various destinations. The reclamation plan encompasses approximately 30 acres. Approximately 12 acres have been disturbed by current mining activities. Additional pre-SMARA disturbed acreage exists immediately adjacent to the northeastern corner of the site.

Access to the site is from U.S. Highway 50 via Ice House Road. The site includes a scale house, main quarry area, interior sediment retention basin, equipment staging area, boneyard, and a small product stockpile. Sidecasting of overburden has occurred along the southern and western perimeter of the main quarry area. The main quarry area is thus enveloped along the southern and western perimeter by fill slopes with intervening benches. Sediment retention basins are situated on the western fill slope intervening bench and adjacent to the access road northeast of the scale house.

Since approximately 2002, activity at the site has been minimal and was limited to product removal from a stockpile located in the north-central portion of the mining area, and erosion and run-off control (grading, straw-bale placement, and sediment retention basin maintenance).

Based on the inspection performed in November of 2007, extraction and processing equipment (screens, grizzly, generators, etc.) have been removed from the site. Approximately fifty to one hundred cubic yards of 1.5-inch minus material was stockpiled on site at time of inspection. A minimal amount of scrap metal and a mobile office building was evident at time of inspection. No violations were noted at time of inspection; however, the following corrective measures were offered:

- All slopes (rock cut slopes, side fill slopes, soil stockpiles, etc.), should continue to be periodically evaluated for potential instability. Such work should be performed on a periodic basis (i.e., no less than annually), and should be performed either by a California licensed Professional Engineer, Registered Geologist or Certified Engineering Geologist, and documented appropriately;
- Maintenance of sediment and erosion control structures on and adjacent to the southern and western fill slopes should continue on a regular basis; and
- When expansion of mining commences in the future, all topsoil should be stockpiled in a designated demarcated area in a manner consistent with criteria stated in the Reclamation Plan.



In addition, the financial assurance currently established at \$127,787, and approved by SMGB on September 12, 2002, required adjustment to reflect current equipment, fuel, and labor rates.

FINANCIAL ASSURANCE COST ESTIMATE (FACE) ADJUSTMENT:

I.	Primary Reclamation Activities	\$42,100.00
II.	Revegetation	\$18,696.00
III.	Plant Structures and Equipment Removal	\$0
IV.	Miscellaneous Costs	\$0
V.	Monitoring	\$30,679.20

Total Direct Cost **\$91,475.20**

VI.	Supervision/Overhead/Contingencies	
a.	Supervision (7%)	\$5,945.89
b.	Profit/Overhead (14%)	\$11,891.78
c.	Contingencies	\$9,147.52
d.	Mobilization	\$4,573.76

Total Indirect Cost **\$31,558.95**

Lead Agency administrative cost (15%) \$18,455.12

Total Estimated Cost for Reclamation **\$141,489.27**

CONSIDERATION BEFORE THE SMGB: The SMGB may take the following actions:

1. Approve as adequate the adjusted financial assurance cost estimate, without additions;
[or]
2. Modify the adjusted financial assurance cost estimate, and then accept it as adequate;
[or]
3. Reject the adjusted financial assurance cost estimate as inadequate and order it to be redone.



EXECUTIVE OFFICER'S RECOMMENDATION: The adjusted financial assurance cost estimate has been reviewed for its consistency and completeness in meeting the minimum requirements of SMARA, and SMGB's regulations and guidelines. The Office of Mine Reclamation and SMGB staff have reviewed the adjusted FACE and considers it adequate to reclaim the site in accordance with the approved reclamation plan. The Executive Officer recommends that the SMGB approve the adjusted FACE.

SUGGESTED MOTION LANGUAGE:

To approve the Adjusted Financial Assurance Cost Estimate:

Mr. Chairman, in light of the information before the State Mining and Geology Board today, I move that the Board approve the adjusted financial assurance cost estimate of \$141,489.27 for the Marin Quarry, CA Mine ID #91-09-0015, located in El Dorado County, as being adequate to reclaim the site in accordance with the approved reclamation plan, and meeting the minimum requirements of SMARA and SMGB's regulations.

Respectfully submitted:

Stephen M. Testa
Executive Officer

