



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT



ARNOLD
SCHWARZENEGGER
GOVERNOR

For Meeting Date: October 8, 2009

Agenda Item No. 3: Approval of Adjusted Financial Assurance Cost Estimate for the Somerset Sand Mine (CA Mine ID #91-09-0009), County of El Dorado Department of Transportation (Operator), Tom Celio (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 in accordance with the approved reclamation plan (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



Executive Officer's Report

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 Somerset Sand Mine site is used by the El Dorado County, Department of Transportation (EDCDOT) to extract decomposed granitic sand. The extraction portion of the operation is seasonal (August to December), with processed material used each year for snow and ice control on county roads, and for emergency services by the Office of Emergency Services for sand bags and flood hazard control. The



material is ripped by a dozer and pushed down the east-northeast-facing hillside and stockpiled, and then loaded into dump trucks for distribution as needed. The mine area includes a maintenance/storage building, equipment staging area, sediment retention structures, stockpiled product and imported material for blending, imported topsoil/overburden stockpile in the southwestern portion of the site, and a revegetation test plot. The site entrance is immediately east of Sand Ridge Road. The working face includes south, west, and northwest-facing cut slopes situated in the east-central portion of the site.

An inspection of the Somerset Sand Mine surface mining operation was performed on December 19, 2008. Following this inspection, one violation was noted regarding the lack of a current financial assurance cost estimate for the site. At time of inspection, approximately 4.5 acres out of a total of about 7 acres were deemed disturbed. The financial assurance cost estimate has been adjusted to reflect current site conditions, current equipment, labor and fuel rates, and anticipated disturbance over the next calendar year. The financial assurance currently on file was approved by the County of El Dorado in 1998, and is in the amount of \$17,500.00. The site remains subject to a financial assurance, and based on our recent analysis and review of site conditions and submitted documents, SMGB staff considers the revised financial assurance cost estimate in the amount of \$125,615.00 to be adequate to conduct and complete reclamation of the mined lands in accordance with the approved reclamation plan.

The following table summarizes the adjusted financial assurance cost estimate:



FINANCIAL ASSURANCE COST ESTIMATE (FACE) ADJUSTMENT:

I.	Primary Reclamation Activities	\$ 52,810.00
II.	Revegetation	\$ 12,620.00
III.	Plant Structures and Equipment Removal	\$ 12,468.00
IV.	Miscellaneous Costs	\$ 200.00
V.	Monitoring	\$ 6,250.00
	Total Direct Cost	\$ 84,348.00
VI.	Supervision/Overhead/Contingencies	
a.	Supervision (5.8%)	\$ 4,982.00
b.	Profit/Overhead (12.2%)	\$ 10,290.00
c.	Contingencies (10%)	\$ 8,435.00
d.	Mobilization (1.5%)	\$ 1,265.00
	Total Indirect Cost	<u>\$ 24,882.00</u>
	Total Direct and Indirect Costs	\$ 109,230.00
	Lead Agency administrative cost (15%)	\$ 16,385.00
	Total Estimated Cost for Reclamation	\$ 125,615.00

CONSIDERATION BEFORE THE SMGB: The SMGB may consider 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 Executive Officer recommends that the SMGB approve the adjusted financial assurance cost estimate for the Somerset Sand Mine. The adjusted financial assurance cost estimate has been reviewed for its consistency and completeness in meeting the minimum requirements of SMARA, and the SMGB's regulations and guidelines. Based on the annual inspection conducted in 2008, the recently revised financial assurance cost estimate amount is deemed to be adequate.

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 \$125,615.00 for the Somerset Sand Mine, CA Mine ID #91-09-0009, 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 the Board's regulations.

Respectfully submitted:

Stephen M. Testa
Executive Officer