



## ENERGY AND ENVIRONMENT CABINET

### Department for Natural Resources

#### Office of the Reclamation Guaranty Fund

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Commissioner

### IMPORTANT NOTICE REGARDING THE KENTUCKY RECLAMATION GUARANTY FUND

December 5, 2013

Dear Permittee or Interested Party:

The Kentucky Reclamation Guaranty Fund (KRGF) was established on July 1, 2013 by House Bill 66, now codified at KRS Chapter 350.500 through KRS Chapter 350.521. The KRGF is a mandatory reclamation account which will cover the excess costs of reclamation for forfeited coal mining operations where the permit specific bond is insufficient for the Commonwealth to complete reclamation to program standards. Since the establishment of the Fund, the KRGF has been engaged in the assessment and collection of initial capitalization fees to assist in the accrual of the Fund reserve. In addition, the KRGF Commission recently promulgated 405 KAR 10:070, 405 KAR 10:080 and 405 KAR 10:090 to implement certain provisions of House Bill 66. While permittees are urged to thoroughly read and become familiar with the provisions of those regulations, the basic requirements are summarized in this letter.

In January, 2014, pursuant to KRS 350.518 and 405 KAR 10:070, the KRGF Commission will assign classifications to all existing permits for the purpose of collecting tonnage and acre fees to maintain revenue for the Fund. The classifications are:

- Surface coal mining operations, including auger and highwall mining, for which a rate of seven and fifty-seven hundredths (7.57) cents per ton of coal shall be paid to the fund;
- Underground coal mining operations, for which a rate of three and fifty-seven hundredths (3.57) cents per ton of coal shall be paid to the fund;
- Permits that consist of combined surface and underground mining operations shall pay a fee in accordance with the predominant method of coal extraction;
- Non-production permits which are used exclusively for coal preparation and processing operations, loading activities, disposal of refuse operations, coal haulage and access roads, mine maintenance areas, and other support facilities, and other permits not assigned to one of the classifications above, as determined by the Commission, shall pay an annual fee of ten dollars (\$10) per acre to the fund; and

- Dormant, including expired permits, not subject to the fees listed above shall pay an annual fee of six dollars (\$6) per surface acre. This classification also includes permits for which all coal removal operations are complete, but an initial release of performance bond has **not** been granted; permits in temporary cessation; permits for which a contemporaneous reclamation deferment has been granted and permits classified as surface or underground that report no production in a calendar quarter.

Beginning January 1, 2014, permittees will be required to report coal production from each permitted surface coal and underground mining operation on a quarterly basis for coal mined and sold. The reporting and payment period shall be quarterly with the first quarterly reporting period being January 1 through March 31. The report will be submitted, and fees will be received, no later than the 30th day of the month following the end of a reporting period.

Prior to January 31, 2014, and each year thereafter, the Office of the Reclamation Guaranty Fund (ORGF) will notify each permittee of those permits that are classified and subject to dormancy or non-production fees. The notification will include the permit classification, total bonded acreage subject to assessment for each permit, and the quarterly payment amount due by permit. Similar to the Initial Capitalization Fees, a permittee will be allowed thirty (30) calendar days after receipt of the initial assessment each year to provide written notice to the ORGF to contest the assessed dormancy or non-production fees.

The fees for non-production and dormant permits **shall not** apply to permits that have not been initially disturbed after permit issuance by the permittee, contain underground acreage only, or have received an initial bond release in accordance 405 KAR 10:040, Section 2.

However, upon **initial** disturbance of an issued permit or resumption of coal production operations following a period of temporary cessation or deferment, the permittee will be required to notify the ORGF within ten (10) days of the initial disturbance or resumption.

Tonnage reports and fee payments will be submitted on the Kentucky Reclamation Guaranty Fund Quarterly Fee Report, Form RGF-1, and notification to the ORGF of initial disturbance or resumption of coal production will be made on the Kentucky Reclamation Guaranty Fund Notification of Permit Activity, Form RGF-3. These forms will be made available on the Commission web site and copies will be included in the notices of classification in January, 2014. In addition, the ORGF is in the process of establishing a process for electronic payment of fees, for the convenience of permittees.

Should a permittee desire to receive the notice of classification via certified electronic mail, rather than through the U. S. Post Office, please e-mail your request to [Courtney.Skaggs@ky.gov](mailto:Courtney.Skaggs@ky.gov) by January 15, 2014.

Additional information and instructions will accompany the forthcoming notices of classification. If you have any questions regarding the information contained in this letter or the further activities of the KRGF, please contact me at [Keith.Smith@ky.gov](mailto:Keith.Smith@ky.gov), or at 502-564-6940.

Sincerely,



Keith B. Smith  
Executive Director  
Office of the Reclamation Guaranty Fund