

KCA Environmental Committee Update

**KY Professional Engineers in Mining Seminar
Marriott Griffin Gate Hotel – Lexington, KY
August 17, 2012**



KCA Environmental Committee

Subcommittees

- DNR Issues
- 303d , Triennial Review & TMDL
- CHIA
- Bonding
- Lands Unsuitable for Mining Petitions
- KDOW Lab Certification
- USFWS ESA Issues
- KPDES Coal General Permit

KY Revised Bonding Protocol History

May 2010 OSM issues report on KY's Bonding adequacy

September 2010 Stakeholders Meeting

December 2010 Industry provides written input

April 2011 KY provides Action Plan to OSM with "Givens"

May 25, 2011 OSM provides response

August 1, 2011 KY provides justification for use of "Givens"

OSM/KY form team to validate "Givens"

January 17, 2012 OSM provides response to KY

February 9, 2012 Stakeholders Meeting

February 9, 2012 KY provides further justification to OSM

May 1, 2012 OSM sends "733" letter

May 4, 2012, KY files Emergency Regulations on "Givens"

June 4, 2012 KY provides response to OSM

Bond Computation Protocols or “Givens”

- Permit Application Reclamation estimate higher than DMP Bond calculation....higher calculation will be used.
- Minimum Bond increased from \$10,000 to \$75,000 for single areas and increments. “Underground only” permits will remain at \$10,000.
- Temporary Off-bench embankment sediment control ponds will increase to \$10,000 per acre and each fraction thereof.
- The bond rate for coal waste disposal areas shall be \$7,500 per acre. For a coal haul road, the bond amount would be \$2,500 per acre.
- Coal Preparation Plant bonds shall be the base acreage rate bond plus concrete demolition and disposal cost.
- For surface mines, Supplemental Assurance bonds shall increase to \$150,000 and shall be posted as required based on existing policy guidelines.
- AMD bonds will remain the same as existing policy.
- Base Bond will increase from \$2500 to \$3500 per acre
- Protocols will be revisited every two (2) years to adjust for inflation, etc

Where Do we go from here?

- HB 385
- Bond Pool or SRF?

Post Election Issues?

- National TDS/Conductivity Limits
- Stream Buffer Zone Rule
- Coal Combustion Residuals Regulations under RCRA (EPA)
- Coal Combustion Residuals Regulations under SMCRA (OSM)

Headline Risks

- *Government Regulation*
- *Plant Closings*
- *Natural Gas Switching*
- *Weather*

Impacts of Obama's War on Coal

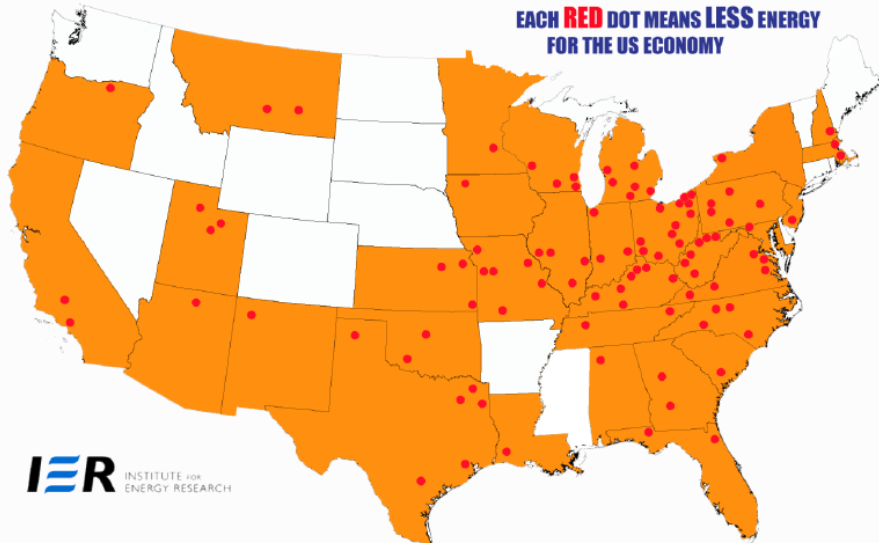


POWER PLANTS TO BE CLOSED BY EPA REGULATION

Total MW taken **OFFLINE: 33,238**

THAT'S NEARLY **10%** OF OUR COAL ENERGY CAPACITY - GONE

EACH **RED DOT** MEANS **LESS ENERGY**
FOR THE US ECONOMY



MSHA Enforcement Practices and New Regulations

- ~70% increase in per ton “Governmental Imposition” costs

Expanded EPA Permitting Power

- Permits now take years rather than months and sometimes are put on hold indefinitely

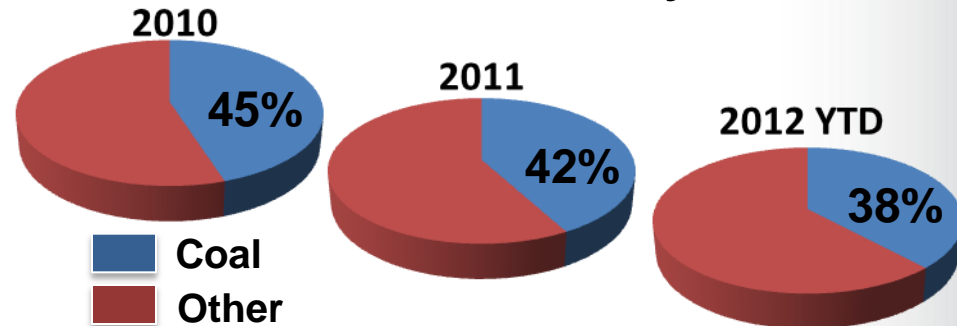
CSAPR and MATS Regulations

- Loss of 183,000 jobs and \$170 Billion increase in energy prices

GHG New Source Performance Standard:

- Effectively prohibits construction of new commercial-scale coal-fired power plants

Coal's Decline in U.S. Electricity Generation



THE REGULATION NATION

- Regulatory Burdens

- \$1.75 Trillion
- Equal to 14% of National Income
- >\$8,000/Employee

Small Business Administration (2010)



THE WALL STREET JOURNAL.

JANUARY 18, 2011

Toward a 21st-Century Regulatory System

If the FDA deems saccharin safe enough for coffee, then the EPA should not treat it as hazardous waste.

By BARACK OBAMA

For two centuries, America's free market has not only been the source of dazzling ideas and path-breaking products, it has also been the greatest force for prosperity the world has ever known. That vibrant entrepreneurialism is the key to our continued global leadership and the success of our people.

But throughout our history, one of the reasons the free market has worked is that we have sought the proper balance. We have preserved freedom of commerce while applying those rules and regulations necessary to protect the public against threats to our health and safety and to safeguard people and businesses from abuse...

Regulatory Review

*Identified \$10 Billion over 5 yrs
0.5% of annual burden*

Red Tape Keeps Rolling

\$9.5 Billion for new rules in July

“No evidence that regulatory burdens and uncertainty hinder job growth”

Asst. Treasury Secretary for Economic Policy

Consequences of the 2012 Presidential Election

- We believe the 2012 President election will influence the ultimate size of the coal fleet beyond 2015, impacting coal demand during that time and affecting our valuation of coal-based investments.



Promotion of High-Cost Energy Policies and Continued Efforts to Curtail Fossil-Fuel Production and Consumption

Promotion of Affordable Energy Production to Stimulate Job Creation and Economic Growth

Environmentalists Continue to Drive Regulatory Agenda

Willing to Work with Industry for Reasonable Regulations

Introduction of Additional Overreaching Power Plant Emission Standards

Introduction of Legislation (and Possibly New Regulations) to Amend and Repeal Obama's Regulatory War on Coal

GHG Regulations for Existing Power Plants

Effort to Amend Clean Air Act to Exclude GHG Regulations

Continued EPA Interference in Permitting

Streamlined Permitting Process Controlled by States

New MSHA Regulations and Increased Enforcement

Reasonable Mine Safety Regulatory Enforcement

Additional Premature Retirements of Coal-Fired Capacity

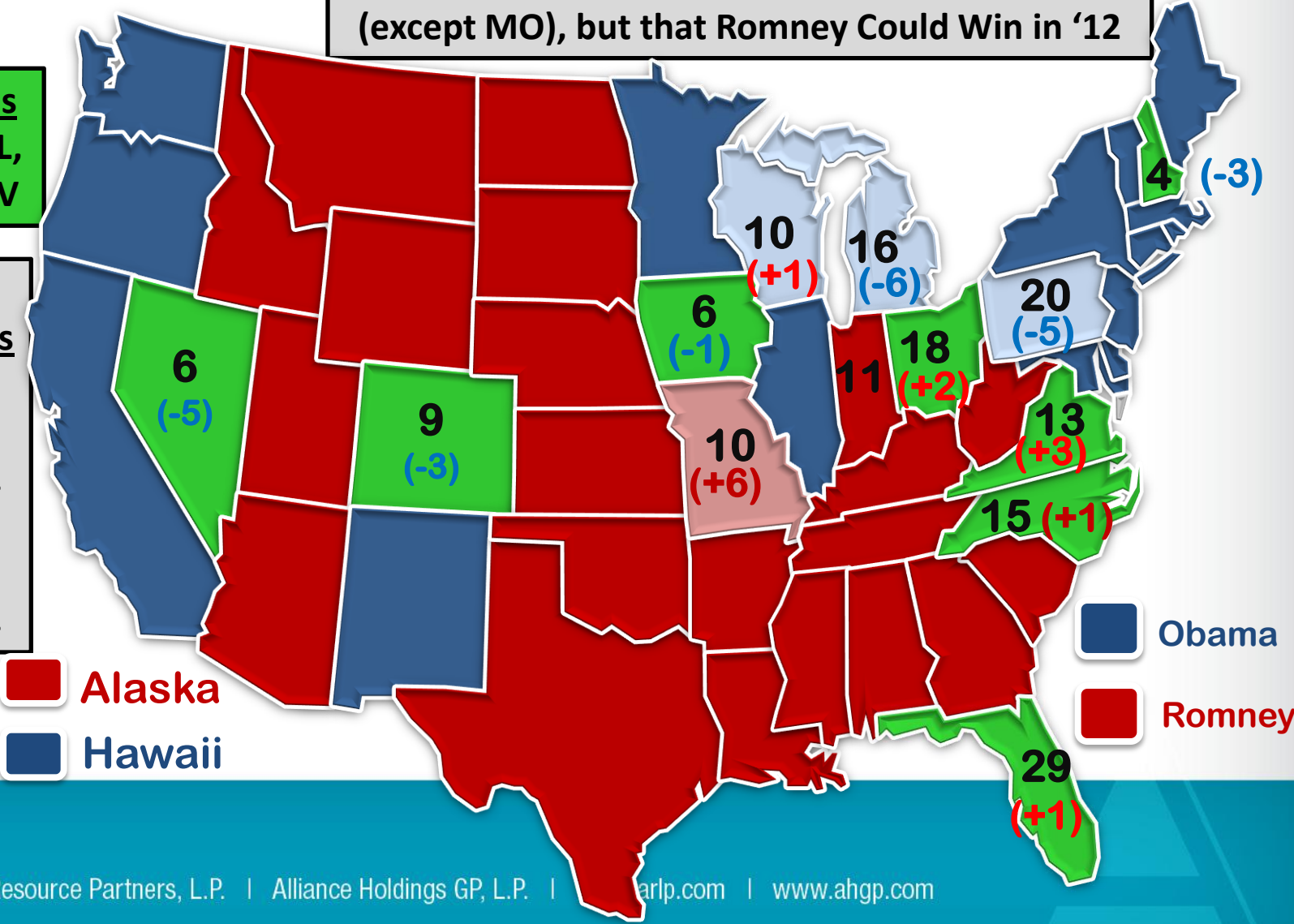
Potential to Reverse Announced Retirements and Even Build New Coal-Fired Generation

The 2012 Presidential Election is an Uphill Battle

#s = Electoral Votes in States Obama Won in '08 (except MO), but that Romney Could Win in '12

8 Swing States
 NH, VA, NC, FL,
 OH, IA, CO, NV

Race to 270
Electoral Votes
With Leans
 Obama = 247
 Romney = 191
W/Out Leans
 Obama = 201
 Romney = 181



Alaska
 Hawaii

Obama
 Romney

Strategy to Gain the Majority in the Senate

Republicans Need to Pick-Up 4 Seats to Gain Control,
Need to Win 6 of 10 Toss-Ups as well as IN and NE

10 Toss-Up Elections

8 Held by Ds:
HI, MO, MT,
NM, ND, VA,
WI, OH

2 Held by Rs:
NV, MA

Lean D:

MI, FL, ME*

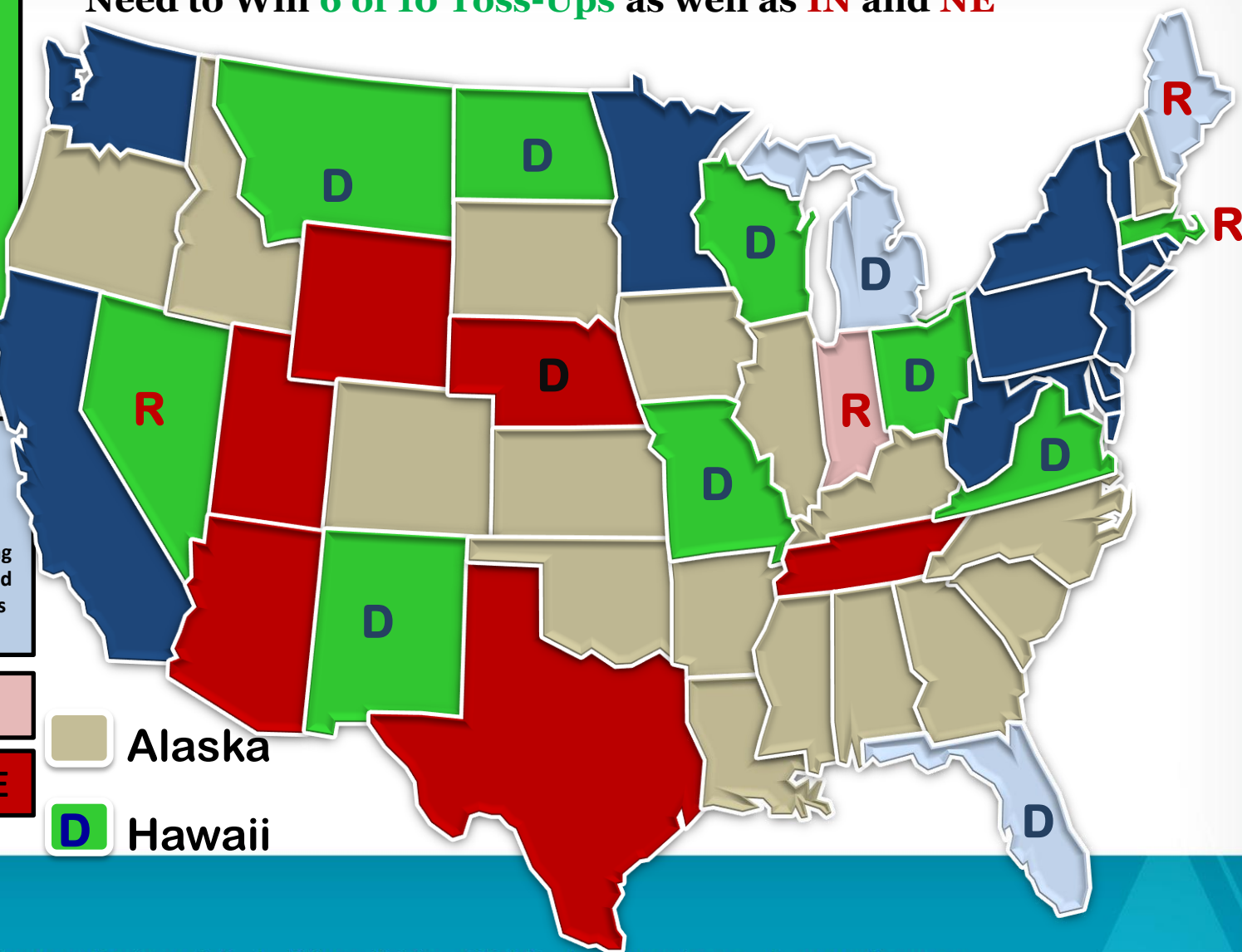
*Independent Angus King is leading. He is expected to caucus with Ds unless Rs take control.

Lean R: IN

R Pick-Up: NE

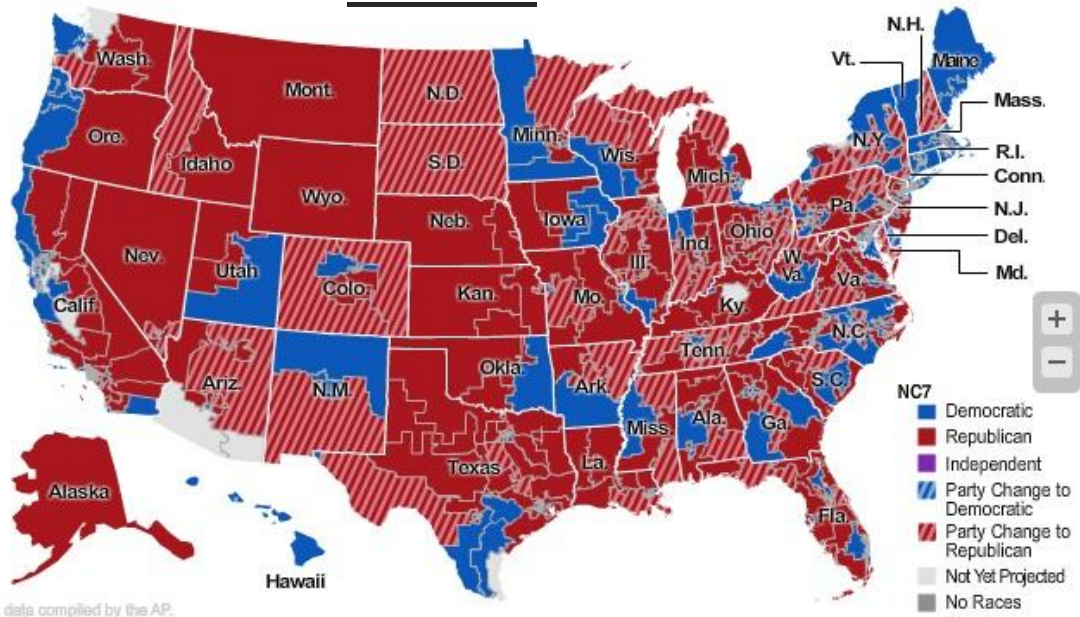
Alaska

Hawaii



Strategy to Maintain the Majority in The House

2010 2012



- Rs have a 242-191 Majority
- Ds need to pick up 25 seats for a majority

- Slight advantage to Ds after wave of victories by Rs in '10
- Most believe Ds will gain single digits, but not take control

***Priority # 1:
Win in November***



Coal Keeps the Lights On

