OFFICE OF SURFACE MINING
RECLAMATION AND ENFORCEMENT

ANNUAL EVALUATION SUMMARY REPORT
FOR THE
REGULATORY PROGRAM
ADMINISTERED BY THE STATE OF

ALASKA

EVALUATION YEAR 1999
OCTOBER 1, 1998 TO SEPTEMBER 30, 1999

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Introduction

The Surface Mining Control and Reclamation Act of 1977 (SMCRA) created the Office of Surface Mining Reclamation and Enforcement (OSM) in the Department of the Interior. SMCRA provides authority to OSM to oversee the implementation of and provide Federal funding for State regulatory programs that have been approved by OSM as meeting the minimum standards specified by SMCRA. This report contains summary information regarding the Alaska program and the effectiveness of the Alaska program in meeting the applicable purposes of SMCRA as specified in Section 102. This report covers the period of October 1, 1998 to September 30, 1999. Detailed background information and comprehensive reports from the program elements evaluated during the period are available for review and copying at the Olympia, Washington OSM Office.

The following list of acronyms are used in this report:

AML	Abandoned Mine Land Reclamation
DMLW	Division of Mining, Land and Water
DNR	Alaska Department of Natural Resources
EY	Evaluation Year
GRP	Gold Run Pass Mine
GVEA	Golden Valley Electric Association
NOV	Notice of Violation
OSM	Office of Surface Mining Reclamation and Enforcement
PFM	Poker Flats Mine
PITS	Permit Information Tracking System
SMCRA	Surface Mining Control and Reclamation Act of 1977
TBR	Two Bull Ridge Mine

TDN	Ten-day Notice
TIPS	Technical Information Processing System
UCM	Usibelli Coal Mine, Inc.
WRCC	Western Region Coordinating Center

II. Overview of the Alaska Coal Mining Industry

As previously reported, Alaska is home to enormous known coal reserves, estimated to be approximately 170 billion tons; however, presently, coal mining does not contribute significantly to the overall state economy. Most of the economic benefits resultant from the coal industry are realized at the local level. Healy, Alaska is presently the site of the only active coal mining in the State. Despite of the fact that the Healy area economy is becoming more diversified due to increasing tourism, the area benefits greatly from the economic contributions made possible by coal mining.

The three active surface mines, which encompass six separate permits, are located in the Hoseanna Creek Valley and employ about 120-140 individuals and the adjacent Golden Valley Electric Association (GVEA) mine mouth power plant employs about another 40 to 50 individuals. Much of the coal mined in the Hoseanna Creek Valley is utilized by the GVEA plant; however, some coal is transported by rail and truck to other facilities in Fairbanks and to military installations throughout the State. The operator of the Hoseanna Creek Valley mines, Usibelli Coal Mine Inc. (UCM) also exports a significant portion of the coal to South Korea.

Not only is UCM the largest year-round employer in the Healy area, the company is very philanthropic, supporting many local activities. Baring any unforseen circumstances, there is good likelihood that production as well as employment opportunities will increase in the area because UCM was issued a new mining permit for 2,500 acres just after the close of the 1997 Evaluation Year (EY). UCM is currently building an access road to the site of the Two Bull Ridge Mine (TBR) which is across the river from the Poker Flats Mine (PFM) and the Gold Run Pass Mine (GRP). UCM officials project approximately 2.1 million tons of coal being mined annually at TBR once the mine is at full production.

Within the last two years, UCM has assumed, through permit transfer, the lease/mining rights to two additional Division of Mining, Land and Water (DMLW) permits as well as an exploration permit. UMC plans to take a bulk sample for testing purposes during the Fall of 1999. The permits are located in an area known as Wishbone Hill, about 1 hour

east of Anchorage, near the town of Sutton, Alaska. Considering that transportation concerns and costs often make Alaska coal economically unfeasible, the location of UCM s Wishbone Hill permits might trigger increased activity in Alaska coal, especially for export markets.

Although no coal removal has occurred at the Sutton location, the permit transfers could be a positive indication that UCM is not only committed to coal removal in the Hoseanna Creek Valley, but statewide as well.

At the close of the evaluation year, the operator of a struggling underground coal mine, the Jonesville Mine, also located in the Sutton area, was in the process of selling all assets to an oil and gas company. The potential mine operator has contacted the DMLW concerning permit transfer procedures.

III Overview of the Public Participation Opportunities in the Oversight Process and the State Program

As previously reported, there has been little public interest in the Alaska coal program; this has been due both to the small scale of the Alaska coal industry and the remote location of the active mining operations. Until recently, there has been little interest on the part of the coal industry to expand existing mine operations or to pursue development of new sites; and, as a result, public interest in coal related activities has been minimal.

The management of DMLW, in conjunction with OSM, has provided several opportunities during the past several years for public involvement in not only permitting activities/decisions but overall SMCRA program maintenance and administration. DMLW and/or OSM published public notices in the State s two largest newspapers located in Fairbanks and Anchorage, announcing DMLW decisions or public meetings at which input could be provided to State and Federal officials. Additionally, in 1997, the State mailed approximately 150 public outreach letters soliciting input concerning the administration of the coal program. Both of these approaches failed to generate any public involvement.

DMLW officials believed a more targeted approach was needed due to the size and remoteness of Alaska. DMLW contacted the Alaska Center for the Environment and asked if a representative would be interested in being part of a multi-interest discussion group including representatives from OSM, DMLW and the Alaska Coal Association. Although the Alaska Center for the Environment never formally accepted the State s proposal, the other parties have met several times to discuss program related issues.

With the increased interest in the coal resources in the Sutton area and with a greater

potential for impacts to the public, the DMLW felt a different approach to public involvement was needed. As previously indicated, Sutton is located approximately one hour northeast of Anchorage and has a much greater population density than most of Alaska. To notify the local citizenry of the proposed permitting actions, DMLW published the usual newspaper notices as well as posted information flyers throughout the Sutton area. The staff of DMLW has continued to keep the Sutton Community Council informed of the coal related activities in the area by attending Council meetings and arranging site visits for those citizens interested in doing so. DMLW has encouraged representatives of UCM to attend some Community Council meetings during the evaluation year to answer citizens questions concerning the permit transfers and pending exploration activities. DMLW management has realized the benefits of involving the local citizens as early as possible in the decision making process.

It should be noted that public participation is increasing in the Sutton area. A recent public notice generated 19 significant public comments that were addressed by the DMLW. Another factor that has triggered public involvement is the DMLW s increased use of the world wide web to advertise permitting actions and to solicit public input.

Although not specific to coal mining, the Alaska Department of Natural Resources (DNR), published in November 1997, a detailed and informative publication entitled, Mining Reclamation in Alaska Just Doing It Right . The 37 page publication focuses on reclamation requirements and practices employed by both the coal industry and the hard-rock mining industry. A chapter is dedicated to the sites reclaimed under the State s Abandoned Mined Lands Reclamation program (AML). Lastly, the publication recognizes the past recipients of the Alaskan Reclamation Award. This publication was widely distributed to interested parties as well as being available for general distribution to the public. Having been available for approximately two years, it doesn t seem that the publication has resulted in any marked increased in public participation.

IV Major Accomplishments/ Issues/ Innovations in the Alaska Program

As discussed in the 1998 oversight report, the DMLW signed off on the constructed buttress and grading work performed at UCM s Poker Flats Mine. The work was required to abate a long standing Notice of Violation (NOV) issued to UCM for unstable outslopes. It was agreed that DMLW would monitor the revegetation success during this evaluation cycle. During the joint OSM/DMLW mine site inspection in September, it was observed that the Spruce, Alder and Willow seedlings were surviving quite well. Based on the vegetative success to date, the DMLW terminated the NOV. It should be noted that DMLW and UCM have mutually agreed to an extended ten-year monitoring period to ensure long-term success of the abatement work.

As was discussed in the 1998 evaluation report, the State was making progress in

developing a data management system. After some initial testing of the Coal Permit Information Tracking System (PITS), the DMLW made some major modifications. The State is now refining the second generation of the system, PITS-2. OSM reviewed the DMLW progress in developing PITS-2 as one of its oversight topics.

During the evaluation year, DMLW made available, via the internet, the coal program regulations. For those interested, the internet address is:

www.dnr.state.ak.us/mine.wat/coal/coal.htm

Alaska received its first permit related application electronically during the evaluation year. UCM submitted a major revision to its Two Bull Ridge permit via the internet. Then DMLW initiated the 30 day public/agency comment period by posting its public notice on the internet. The notice instructed interested parties how to download the TBR permit revision application and how to submit review comments electronically.

The DMLW is effectively administering the Alaska Surface Coal Mining and Reclamation Act. There continues to be an open and collegial relationship between OSM and DMLW.

V Success in Achieving the Purposes of SMCRA as Determined by Measuring and Reporting End Results

To further the concept of reporting end results, the findings from performance standard and public participation evaluations are being collected for a national perspective in terms of the number and extent of observed off-site impacts, the number of acres that have been mined and reclaimed and which meet the bond release requirements for the various phases of reclamation, and the effectiveness of customer service provided by the State. Individual topic findings are available in the Olympia, Washington Office. The information provides additional details on how the following evaluations and measurements were conducted.

A. Off-Site Impacts

On September 8 and 9, 1999, the Reclamation Specialist from the OSM Olympia, Washington Office conducted inspections at three active mines located in the Hoseanna Creek Valley. The OSM inspector was accompanied by the DMLW coal program administrator and a State inspector, as well as mine representatives. The focus of the inspections was drainage control systems, buttress stability, revegetation success and identifying any off-site impacts. As previously stated, mining in the Hoseanna Creek Valley occurs in a rather sparsely populated area,

and as such, there is no record of public concern over the mining activity being conducted there. All drainage control systems were functioning properly and no off-site impacts were observed. Some questions arose as to the need for additional drainage controls below some areas of recent road construction. See the Mine-Site Evaluation Inspection Reports (MEIR) on file at OSM s Olympia Office or at DMLW s Anchorage office for more details.

All blasting records for the period of July 27th through September 7th were reviewed and found to be in order. Although no off-site impacts were identified, both inspectors were concerned by some road building material that had sloped over the edge of the Two Bull Ridge haul road. The operator was made aware of the situation and committed to removing the material within 30 days.

B. Reclamation Success

As Table 5 shows, the State did not receive nor process any Phase I, Phase II or Phase III bond release applications during the evaluation period.

C. Customer Service

The DMLW has actively sought to increase public awareness and involvement. Not until UCM s recent leasing/permitting activities in the more populated Sutton area, has the public shown much interest in coal related issues. DMLW meets regularly with the Sutton Community Council and, when appropriate, so do staff from UCM. The DMLW staff, on numerous occasions, have conducted site visits with interested citizens living in the Sutton area.

VI OSM Assistance

The level of assistance provided to Alaska during this evaluation period remained fairly consistent with previous years. As in previous years, staff from OSM s Technical Information Processing System (TIPS) provided both technical support for Alaska s TIPS system and on-site training relative to TIPS specific software. Also, DMLW staff attended training provided by the Western Region Coordinating Center s (WRCC) Office of Technology Transfer and OSM s National Technical Training Program.

During the evaluation cycle, DMLW received a major permit revision application for the Two Bull Ridge Mine. The permittee is proposing to construct a valley fill. The DMLW, having no experience with valley fills, asked the WRCC for technical assistance. The WRCC provided support in the areas of hydrology, engineering and computer modeling.

WRCC s bonding/insurance specialist provided a two-day training class to the DMLW staff during July. To make the training cost effective, staff from other Divisions within DNR that deal with performance bonds were invited to attend. The training was well received by those in attendance and in most cases, it was the first formal bond related training participants had received. Also, during the evaluation period, routine assistance was provided to DMLW in the areas of permitting, inspection and enforcement, program maintenance and data management.

OSM s Olympia Office has an excellent relationship with the DMLW staff, and as such many informal conversations occur in which various issues are discussed. Often suggestions are offered and ideas are exchanged that don t necessarily constitute formal assistance; but, as long as both parties are comfortable with such an arrangement, it will continue.

VII General Oversight Topic Reviews

As in previous evaluation cycles, OSM and DMLW have chosen to keep the program oversight process both simple and flexible, focusing on a few key program areas and being able to adjust oversight objectives if necessary. This approach is both possible and desirable due to the smallness of the Alaska program and the coal industry currently operating in the State. The openness and solid lines of communication between the DMLW staff and the OSM Olympia staff contributes greatly to the success of this approach. There is a small core Alaska oversight team in place with all other oversight activities being conducted by Ad Hoc team members that change according to the selected review topics.

As discussed in the Annual Evaluation Plan, OSM and DMLW identified some specific program areas that both agencies believed warranted evaluation. The program areas identified were:

- DMLW s development of a data management system
- DMLW s development of an electronic permitting system
- DMLW s administration of the Nerox Power System permit
- DMLW s maintenance of its approved program

Additionally, OSM reviewed several other general program areas and gathered some routine data as agreed upon in the Annual Evaluation Plan.

Summary of Topic Reviews

□□ **DMLW s Development of a Data Management System**

As briefly mentioned in Section IV, the DMLW developed a prototype data management system during the 1998 evaluation cycle. After conducting some initial data entry and retrieval tests with the Coal Permit Information Tracking System (PITS), the DMLW identified some system deficiencies that triggered major modifications. In addition to the system related concerns, the Commissioner announced late in the evaluation year that the Division of Mining and Water Management was to be integrated with the Division of Lands. The coal program staff thought it wise to incorporate coal lease information, information maintained by the Division of Lands, into their data system; this decision has resulted in some additional delays. Additionally, DMLW has a goal of integrating their data management system which uses Microsoft Access, with ArcView/ArcInfo.

Also, a personnel change took place that further delayed development of the data management system. The new individual primarily responsible for developing the data system is also the lead mine inspector, which limits his time working on the data management system to the winter months, the non-field season. The target date for completion is January 2000.

□□ **Development of an Electronic Permitting System**

DMLW entered the world of electronic permitting in May of this year by having a contractor scan the Gold Run Pass permit and burn it onto a CD. The Poker Flats permit was being scanned during OSM s oversight visit in June with the Wishbone Hill permit to follow shortly therefter.

Presently, a major revision to the Two Bull Ridge permit, submitted electronically by Usibelli Coal, is being reviewed by DMLW. After completion, the entire permit will be submitted electronically. DMLW announced receipt of the revision via the internet and instructed viewers how to download the material from their web site and how to submit comments electronically.

DMLW plans to load all permits onto CD s and to provide the field staff with

laptop computers. This will allow easy access to the entire permit file while conducting an on-site inspection. As mentioned previously, DMLW has made its regulations available via the internet; this, coupled with the electronic permits, provides the inspector with all of the tools needed to conduct his job in an effective and efficient manner.

There are still remaining issues to address such as security, electronic signatures, hardware compatibility among users, maximization of public participation and rapidly changing technology; however, everyone agrees that this is the way to go.

□□ DMLW s Administration of Nerox Power Systems Inc. Permit

Nerox Power Systems (Nerox) holds the permit for the Jonesville underground mine located in the Sutton area, which is approximately 1 hour from Anchorage. Nerox permitted the previously disturbed and abandoned site with the intention of taking advantage of the close proximity to Anchorage and the existing transportation infrastructure. After some initial investment and operational improvements, Nerox encountered financial setbacks and, coupled with the downturn in the coal market, never mined an ounce of coal.

DMLW, not wanting to forfeit the bond, attempted to work with the permittee to ensure environmental controls were in place and that no off-site impacts occurred while Nerox attempted to find a buyer for the mine. DMLW, with OSM concurrence, believed that this was the best approach, in light of the fact that several other companies were expressing interest in the Jonesville site.

At the end of the evaluation year, DMLW was in the process of reviewing a permit transfer application. Identified deficiencies were addressed and all outstanding NOV s and Reclamation Directives were abated while at the same time, the company has assigned an employee on-the-ground compliance responsibilities during the permit transfer process. DMLW keeps OSM apprised of the status of the permit transfer.

□□ Maintenance of Approved Program

This is an ongoing area of review. The individual responsible for program maintenance was selected to be Director of the newly created Division of Mining,

Lands and Water. He was no longer able to commit time to the program revision project. Also, OSM s Alaska program specialist left the agency. Needless to say, very little work relative to program maintenance occurred during this evaluation period. However, both OSM and DMLW have designated individuals responsible for program related matters. It should be noted that shortly after the close of the evaluation period, the two individuals met in Denver to discuss the status of Alaska s program and to identify some areas of focus for the coming evaluation cycle. Due to the lack of activity in this area as a result of the personnel situation, this topic will be monitored during the 2000 evaluation year.

For more information on these oversight topics, or any other aspect of the 1999 annual oversight process, feel free to contact:

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APPENDIX A:

These tables present data pertinent to mining operations and State and Federal regulatory activities within Alaska. They also summarize funding provided by OSM as well as Alaska staffing. Unless otherwise specified, the reporting period for the data contained in all tables is October 1, 1998 to September 30, 1999. Additional data used by OSM in its evaluation of Alaska s performance is available for review in the evaluation files maintained by the Olympia, Washington OSM Office.

APPENDIX B:

TABLE 1

COAL PRODUCTION[A] (Millions of short tons)			
Period	**Surface mines**	**Underground mines**	**Total**
1996	1.47	0	1.47
1997	1.42	0	1.42
1998	1.44	0	1.44

[A]Coal production as reported in this table is the gross tonnage which includes coal that is sold, used or transferred as reported to OSM by each mining company on form OSM-1 line 8(a). Gross tonnage does not provide for a moisture reduction. OSM verifies tonnage reported through routine auditing of mining companies. This production may vary from that reported by States or other sources due to varying methods of determining and reporting coal production.

TABLE 2

INSPECTABLE UNITS
As of September 30, 1999

Coal mines and related facilities	Number and status of permits									Disturbed acreage (hundreds of acres)		
	Active or temporarily inactive		Inactive Phase II bond release		Abandoned		Totals					
	IP	PP	IP	PP	IP	PP	IP	PP	Insp. Unit	IP	PP	Total
STATE and PRIVATE LANDS[A] REGULATORY AUTHORITY: ALASKA												
Surface mines	0	8	0	0	0	0	0	8	8	0	11.93	11.93
Underground mines	0	1	0	0	0	0	0	1	1	0	.25	.25
Other facilities		1	0	0	0	0	0	1	1	0	0	0
Subtotals	**0**	**10**	**0**	**0**	**0**	**0**	**0**	**10**	**10**	**0**	**12.18**	**12.18**
FEDERAL LANDS REGULATORY AUTHORITY: OSM												
Surface mines	0	0	0	0	0	0	0	0	0	0	0	0
Underground mines	0	0	0	0	0	0	0	0	0	0	0	0
Other facilities	0	0	0	0	0	0	0	0	0	0	0	0
Subtotals	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
ALL LANDS												
Surface mines	0	8	0	0	0	0	0	8	8	0	11.93	11.93
Underground mines	0	1	0	0	0	0	0	1	1	0	.25	.25
Other facilities		1	0	0	0	0	0	1	1	0	0	0
Totals	**0**	**10**	**0**	**0**	**0**	**0**	**0**	**10**	**10**	**0**	**12.18**	**12.18**

Average number of permits per inspectable unit (excluding exploration sites) 1

Average number of acres per inspectable unit (excluding exploration sites) 834.3

Number of exploration permits on State and private lands: 9

On Federal lands: 0

On Federal lands: 0

Number of exploration notices on State and private lands: 1

IP: Initial regulatory program sites.

PP: Permanent regulatory program sites.

[A] **Mines or facilities where entire disturbed area occurs on State and/or private lands.**

TABLE 3

ALASKA PERMITTING ACTIVITY
As of September 30, 1999

Type of application	Surface mines			Underground mines			Other facilities			Totals		
	App Rec.	Issued	Acres	App Rec.	Issued	Acres[A]	App Rec.	Issued	Acres	App Rec.	Issued	Acres
New permits	1	0	684	0	0	0	0	0	0	1	0	684
Renewals	0	0	0	0	0	0	0	0	0	0	0	0
Amendments	0	0	0	0	0	0	0	0	0	0	0	0
Incidental boundary revisions	0	0	0	0	0	0	0	0	0	0	0	0
Revisions (exclusive of incidental boundary revisions)	1	1		0	0		0	0		1	1	
Transfers, sales and assignments of permit rights	0	0		1	0		0	0		1	0	
Small operator assistance	0	0		0	0		0	0		0	0	
Exploration permits	1	1		0	0		0	0		1	1	
Exploration notices	0	0		0	0		0	0				
Totals	3	2		1	0	0	0	0	0	4	2	684

Number of midterm permit reviews completed that are not reported as revisions _

[A] Includes only the number of acres of proposed surface disturbance.

TABLE 4

OFFSITE IMPACTS ON SITES WHERE BONDS HAVE NOT BEEN FORFEITED													
RESOURCES AFFECTED		**People**			**Land**			**Water**			**Structures**		
DEGREE OF IMPACT		minor	moderate	major	minor	moderate	major	minor	moderate	major	minor	moderate	major
TYPE OF IMPACT AND TOTAL NUMBER OF EACH TYPE	Blasting	0	0	0	0	0	0	0	0	0	0	0	0
	Land Stability	0	0	0	0	0	0	0	0	0	0	0	0
	Hydrology	0	0	0	0	0	0	0	0	0	0	0	0
	Encroachment	0	0	0	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0	0
OFFSITE IMPACTS ON SITES WHERE BONDS HAVE BEEN FORFEITED													
RESOURCES AFFECTED		**People**			**Land**			**Water**			**Structures**		
DEGREE OF IMPACT		minor	moderate	major	minor	moderate	major	minor	moderate	major	minor	moderate	major
TYPE OF IMPACT AND TOTAL NUMBER OF EACH TYPE	Blasting	0	0	0	0	0	0	0	0	0	0	0	0
	Land Stability	0	0	0	0	0	0	0	0	0	0	0	0
	Hydrology	0	0	0	0	0	0	0	0	0	0	0	0
	Encroachment	0	0	0	0	0	0	0	0	0	0	0	0
	Other	0	0	0	0	0	0	0	0	0	0	0	0
	Total	0	0	0	0	0	0	0	0	0	0	0	0

TABLE 5

ANNUAL STATE MINING AND RECLAMATION RESULTS

Bond release phase	Applicable performance standard	Acreage released during this evaluation period
Phase I	* Approximate original contour restored	0
Phase II	* Topsoil or approved alternative replaced * Surface stabilized * Vegetation established	0
Phase III	* Postmining land use/productivity restored * Vegetation successfully and permanently established * Groundwater recharge, quality, and quantity restored * Surface water quality and quantity restored	0
Bonded acreage status		**Acres**
Total number of bonded acres at end of last evaluation year (September 30, 1998)		1,189
Total number of bonded acres at the end of this evaluation year (September 30, 1999)		1,189
Number of acres at the end of this evaluation year that are bonded for remining		0.00
Number of acres where bond was forfeited during this evaluation year		0.00

TABLE 6

STATE BOND FORFEITURE ACTIVITY
(Permanent Program Permits)

	Sites	Dollars	Acres
Bonds forfeited as of September 30, 1998	0	0	0
Bonds forfeited during EY 1999	0	0	0
Forfeited bonds collected as September 30, 1998	0	0	0
Forfeited bonds collected during EY 1999	0	0	0
Forfeiture sites reclaimed during EY 1999	0	0	0
Forfeiture sites repermitted during EY 1999	0		0
Forfeiture sites unreclaimed as of September 30, 1999	0		0
Excess reclamation costs recovered from permittee	0	0	0
Excess forfeiture proceeds returned to permittee	0	0	0

TABLE 7

ALASKA STAFFING
(Full-time equivalents at end of evaluation year)

Function	EY 1999
Regulatory Program	
Permit review	1.00
Inspection	1.25
Program administration	1.00
Total	3.25

TABLE 8

FUNDS GRANTED TO ALASKA BY OSM
(Millions of dollars)

Type of grant	Federal funds awarded	Federal funding as a percentage of total program costs
Administration and enforcement	0.17	50%
Small operator assistance	0	0
Total	**0.17**	