RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

SMRD DOCKET NO. C15-0012-SC-01-F

APPLICATION OF ALCOA INC. FOR PHASE III RELEASE ON 242.0 ACRES, PERMIT NO. 1F, SANDOW MINE, MILAM AND LEE COUNTIES, TEXAS

ORDER APPROVING RELEASE OF PHASE III RECLAMATION OBLIGATIONS

Statement of the Case

Alcoa Inc. (Alcoa), P.O. Box 1491, Rockdale, Texas 76567 applied to the Railroad Commission of Texas (Commission), Surface Mining and Reclamation Division, for Phase III release of reclamation obligations on 242.0 acres within the Sandow Mine located in Milam and Lee Counties, Texas. The application is made pursuant to the Texas Surface Coal Mining and Reclamation Act, TEX. NAT. RES. CODE ANN. Ch. 134 (Vernon Supp. 2016), and "Coal Mining Regulations" Tex. R.R. Comm'n, 16 TEX. ADMIN. CODE Ch. 12 (Thomson West 2016).

Permit No. 1F currently authorizes surface coal mining operations at Alcoa's Sandow Mine within its 8,079.7-acre permit area. Copies of the application were filed in required County and Commission offices and distributed to applicable agencies for review and comment. No requests for hearing were filed following public notice. The only parties to the proceeding are Alcoa and the Commission's Surface Mining and Reclamation Division (Staff). There remain no outstanding issues between the parties. Based on the information provided by the application, Staff analyses, and the inspection of the area, Staff recommends Phase III release of reclamation obligations on 242.0 acres. The parties have filed waivers of preparation and circulation of a proposal for decision.

After consideration of the application and the Findings of Fact and Conclusions of Law, the Commission approves the release of reclamation obligations as recommended by Staff. Alcoa does not request adjustment to the approved reclamation bond at this time and no new bond has been submitted. The Commission determines an eligible bond reduction amount of $287,496.00.

Findings of Fact

Based on the evidence in the record the following Findings of Fact are made:

1. By letter dated June 10, 2015, Alcoa filed its application for Phase III release on 242.0 acres. The proposed release areas are located in Milam and Lee Counties, Texas, within the permit area of Permit No. 1F, Sandow Mine. The Mine encompasses 8,079.7 acres in Milam and Lee Counties.

2. The application is made pursuant to Texas Surface Coal Mining and Reclamation Act, Tex. Nat. Res. Code Ann. Ch. 134 (Vernon Supp. 2016) (Act), and the Coal Mining Regulations, Tex. R.R. Comm'n, 16 Tex. Admin. Code Ch. 12 (Thomson West 2016). No filing fee is required. The application was properly certified in accordance with §12.312(a)(3).

3. By letter dated June 16, 2016, Alcoa submitted Supplement No. 1, containing additional information to address Staff's concerns raised in Staff's technical analysis (TA) issued June 16, 2016. Staff in its TA recommended Phase III release on 110.9 acres of the requested 242.0 acres. Following Alcoa's submittal of Supplement No. 1, Staff filed a TA addendum on July 29, 2016. Staff recommended Phase III release of reclamation obligations on 242.0 acres.

4. Alcoa does not request a reduction in the amount of the approved reclamation bond. The existing reclamation bond in the form of a self-bond for the entire permit area, accepted by Order dated April 8, 2015, is in the amount of $27,250,000.

5. The Phase III proposed release on 242.0 acres is detailed in the Staff Evaluation, Attachment I (Maps 1-4) of the TA Addendum, and the RCT Enforcement Staff Inspection Report Appendix 1, which is contained as Attachment III to the Staff TA.

6. The Phase III release on 242.0 acres recommended for release consists of 231.6 acres bonded at the Phase II mined rate of $1,080 per acre and 10.4 acres of Phase II disturbed rate at $1,080 per acre.

7. The post-mine land use within the various proposed release areas consists of 242.0 acres of pastureland.

8. By letters dated November 11, 2015, Alcoa sent notice to owners of interests in the areas requested for release and adjacent lands.

9. Notice of application was published once a week for four consecutive weeks (November 12, 19 and 26 and December 3, 2015) in the *Rockdale Reporter*. The newspaper is a newspaper of general circulation in both Milam and Lee Counties, which are the locality of the proposed various phase 242.0 acre release areas of the permitted mine. The notice of application contains all information required by the Act and Regulations for notice of application for bond release applications. Alcoa submitted an affidavit of publication with clippings. The published notice is adequate notification of the request for release. The notice included the elements required by §134.129 of the Act and §12.312(a)(2) of the Regulations: the name of the permittee, the precise location of the land affected, the total number of acres, permit number at the time of application and date approved, the amount of bond filed, the type and appropriate dates reclamation work was performed, and a description of the results achieved as they relate to the approved reclamation plan. The notice contained information concerning the applicant, the location and boundaries of the permit area, the availability of the application for inspection, and the address

where comments should be sent. Alcoa submitted proof of publication to the Commission by letter dated December 10, 2015.

10. Copies of the application were filed for public review at the main office of the Railroad Commission of Texas at 1701 North Congress, William B. Travis Building, Austin, Texas 78701, the office of the Milam County Clerk, 100 South Fannin, Cameron, Texas 75840 and the office of the Lee County Clerk, 151 East Hempstead Street, Giddings, Texas 78942.

11. Alcoa sent notification letters to local governmental bodies and other agencies and authorities as required by §12.312(a)(2). Notice was sent to the Milam County Judge and Commissioners Court, Lee County Judge and Commissioners Court, Brazos River Authority, Texas General Land Office, Texas Commission on Environmental Quality, Natural Resources Conservation Service, Environmental Protection Agency, Texas State Soil and Water Conservation Board, Texas Department of Transportation, U.S. Army Corp of Engineers, Taylor Soil and Water Conservation District, and Burleson-Lee Soil and Water Conservation District.

12. The Surface Mining and Reclamation Division mailed letters pursuant to §12.312(b) dated June 16, 2015, to owners of the surface and leaseholders of the area requested for release and to the Office of Surface Mining Reclamation and Enforcement, Tulsa Field Office (OSM). The notification stated that a release had been requested and, pursuant to §12.312(b)(1), advised the recipients of the opportunity to participate in the on-site inspection scheduled for July 1, 2015. In addition, the Commission sent notice by certified mail to the Milam County Judge and Lee County Judge on March 2, 2016 as required by §12.313(d).

13. No adverse comments or written objections were filed regarding the request for release. No requests for hearing or informal conference were filed pursuant to §12.313(d).

14. On July 1, 2015, SMRD Inspection and Enforcement staff, accompanied by representatives of Alcoa, conducted its inspection of the area requested for release. The field report found that the proposed release areas were eligible for the requested release, pending correction of minor mapping issues and Staff review.

15. No concerns with erosion were noted by Staff and no rills or gullies were observed or noted in Staff's inspection (§12.389).

16. The 242.0 acres proposed for Phase III release were granted Phase I Release by Orders dated November 9, 2011 (Docket No. C11-0005-SC-01-F) and August 6, 2013 (Docket No. C12-0028-SC-01-F) and Phase II release by Order dated April 13, 2016 (Docket No. C14-0017-SC-01-F).

17. The 242.0 acres proposed for Phase III release have a post-mine land use comprised of pastureland. The 242.0 acres are included in two land management units (LMUs),

designated as C09-P and G09-NP. These LMUs were accepted into the extended responsibility period (ERP) on May 20, 2009. By letters dated August 5, 2014 and May 27, 2015 SMRD determined that the vegetation data for the LMUs met the performance standards in accordance with §12.395(c)(2).

18. No portions of the areas proposed for Phase III release of reclamation liability were reclaimed as prime farmland (§§12.201 and 12.620-12.625).

19. The groundwater hydrologic balance has been protected as required by §12.348 and the re-established post-mine groundwater system is adequate for the proposed postmine land uses of the 242.0 acres requested for Phase III release.

(a). In addressing requirements of §12.348, Alcoa has submitted groundwater monitoring data for the overburden, spoil and underburden aquifers within and adjacent to the Sandow Mine.

(b). Groundwater monitoring for the area proposed for Phase III release has been performed in accordance with the provisions of the approved permit. Long-term groundwater monitoring records have been reviewed by Staff on a quarterly basis.

(c). The pre-mine overburden aquifers in the reclaimed area have been destroyed; however, they constituted only minor aquifers. The underburden aquifers in the Sandow Mine area are sands of the Simsboro Formation, underlying the lignite bearing Calvert Bluff Formation. These underburden aquifers are separated from the overburden by clays five feet or more in thickness. The shallowest aquifers underlying these clays are thin, silty lenses interbedded with clays and lignite stringers that are limited laterally. The sandier unit (Simsboro) is separated from the mined and affected area by an underclay of several tens of feet to hundreds of feet in thickness and is fairly well developed in this region in the lower Wilcox Group outcrop.

(d). Alcoa provided an analysis of the groundwater data from pertinent wells by letter dated June 10, 2015. From this analysis, Alcoa indicates that the water levels in the spoil monitoring wells adjacent or within the area proposed for Phase III release show measurable increases in water levels since the time of mining, for those wells possessing long-term records. The water levels in the spoil monitoring wells appear to be stable or are approaching the post-recovery stage. Seasonal rises and drops in water levels appear to be occurring, indicating that the groundwater system within the spoil has stabilized or is approaching stability.

(e). Staff reviewed the analysis and data and determined that long-term quarterly monitoring data for most of the overburden and underburden hydrologic units within and adjacent to the proposed Phase III release area and spoil wells do not

indicate that any significant impacts have occurred to water quantity or quality. Water levels in spoil monitoring wells with long-term records show measurable increases since mining. Staff analysis agrees that the levels are stable or are approaching the post-recovery stage, with seasonal rises and drops. Staff also reviewed pH and TDS concentrations. The average TDS concentrations from overburden wells that have been continuously monitored since the mid-1990s or early 2000s have remained generally similar, ranging from 40 mg/L to 3,800 mg/L, depending on the particular overburden stratum in which the well has been completed. Neither water levels nor pH and TDS concentrations have been affected in underburden wells. Staff notes no problems with water levels, pH, or TDS concentrations in overburden wells or underburden wells that would preclude approval of Phase III release.

20. Alcoa has conducted surface mining activities in accordance with §12.313(a)(2) and §12.349 to protect surface water quality and quantity for the acreage proposed for Phase III release.

(a). The areas proposed for release from reclamation liability are located in both the north and south areas of the Sandow Mine. The parcels proposed for release of reclamation in the north mine area drain to East Yegua Creek. The parcels proposed for release of reclamation in the south mine area drain to Middle Yegua Creek.

(b). All discharge from the Sandow Mine flows to Somerville Lake on Yegua Creek (TCEQ Stream Segment No. 1212) and ultimately to the Brazos River.

(c). TCEQ issued TPDES Permit No. 00395 to Alcoa for wastewater discharges from the Sandow Mine. Based upon monthly long-term and quarterly monitoring data, Alcoa established that wastewater discharges do not exceed the Texas Pollutant Discharge Elimination System (TPDES) water quality effluent standards and are within limitations established for TPDES Permit No. 00395 for pH and iron (Fe). The average total suspended solids (TSS) concentrations are below or on the low range of the pre-mine data in the PHC determination.

(d). During the period of record, runoff from the area proposed for release from reclamation obligations was controlled by several ponds. Discharge in the north area of Sandow Mine (East Yegua Basin) flows into the C-Area and/or E-Area Endlake. Discharge from Permanent Impoundments 015, 016, RE-4, RE-5, RE1B1, RE-2, RE-3 and North Endlake flows into the E-Area Endlake. Discharge from Permanent Impoundments 026, A1, C3, C2C3 and C3W flows into the C-Area Endlake.

(e). Discharges in the south area of the Sandow Mine (Middle Yegua Creek) flow into the H-Area Endlake and Walleye Creek. Discharge from Permanent

Impoundments 004A, 006, 007, 009, RF2B1, RF3B1, RF4B1, RF4B2, RH3, RH4, RH5, RH8, RH1-B1 and RG2B1 and the F, North F, FG-1, FG-2 and G-Area Endlakes flow into the H-Area Endlake. Pond discharge in the Sandow mine is currently monitored under TPDES Permit No. 00395.

(f). Long-term data and quarterly pond data are typically provided and analyzed as described in Advisory Notice AD-BO-312 and SMRD letter dated August 9, 2001, respectively, in support of Phase II release from reclamation obligations. The parcels requested for Phase III release in this application have met Phase II release from reclamation obligations (Finding of Fact No. 16, (*supra*); therefore, Staff did not consider any long-term data from final discharge ponds and quarterly pond data from permanent impoundments in its review of this application for Phase III release.

(g). The proposed 242.0 acre Phase III release area includes 131.1 acres in the north area of Sandow Mine and 110.9 acres in the south portion of the mine. Alcoa provides in the application stream monitoring data for LTSM Station Nos. 6, 7, 13 and WQMPl located in the north mine area. Monitoring data are also provided for LTSM Station Nos. 1, 2, and Station I6 located in the south area of the mine. Alcoa indicates that data collected at these monitoring stations is composite data for the entire drainage basin that includes areas that have not been disturbed by mining, areas that have received Phase III release and areas that continue to have active mining activities associated with the Three Oaks Mine. In its review Staff separated baseline data from the long-term monitoring data for each LTSM station based on available information in the approved permit. LTSM Station No. I6 located downstream of the confluence of Walleye Creek and Cross Creek is the only monitoring station that receives runoff from areas affected by mining activities in the Three Oaks Mine.

(h). In the initial TA, Staff did not recommend release of Phase III reclamation obligations on the 131.1 acres located in the north areas of the Sandow Mine due to issues with the watershed maps and a lack of information regarding the correlation between the increasing trends in chloride and sulfate concentrations at LTSM Station No. 7 and the application of fertilizer to reclaimed areas.

(i). In Supplement No. 1, Alcoa did not provide a correlation between the increasing trends in chloride and sulfate concentrations to the application of fertilizer to reclaimed areas; however, Alcoa provided a comparison to the baseline data for LTSM Station No. 13 located approximately 1.5 miles downstream of LTSM Station No. 7 on East Yegua Creek. The baseline data recorded at downstream LTSM Station No. 13 in 1977 show average concentrations of 1,078 mg/L and 322 mg/L for sulfates and chlorides, respectively, and are higher than the average concentrations for sulfates (208.0 mg/L) and chloride (92.0 mg/L) at LTSM Station No. 7 for the period of record of June 1991 through July 2015. Based on this information, Alcoa concludes that sulfate concentrations are naturally

occurring and are a result of the movement of sulfate materials in runoff. A comparison of the average concentrations of sulfates (124.9 mg/L) and chloride (82.3 mg/L) at downstream LTSM Station No. 13 to the average concentrations at LTSM Station No. 7 for the same period of record shows that some dilution is also occurring downstream of the permit boundary.

(ii) In Supplement No. 1, Alcoa provides pages .146-21 and .146-22 of Permit No. lF to support the theory of natural sulfide and chloride concentrations in the soils of the Sandow Mine. The pages include information on high sulfate concentrations at overburden well HlR-OB and spoil well SP-26. Overburden well HlR-OB is not depicted as a monitoring well on Exhibit 142-MW, 242.0 Acre Bond Release Monitoring Wells Map, and spoil well SP-26 is located in area G of the Sandow Mine. Staff believes that a better correlation could be made between high sulfate concentrations at LTSM Station No. 7 and water quality at overburden wells if the wells are located in the watershed of the monitoring station.

(iii). Alcoa provides graphs for sulfate and chloride concentrations in Supplement No. 1. For the north mine, although the average sulfate concentration of 208.0 mg/L at LTSM Station No. 7 is higher than the stream segment standard of 100 mg/L for Stream Segment No. 1212, Alcoa's graphs show a decreasing trend in sulfate concentration at the monitoring station since 2014. The graphs also show a decreasing trend in chloride concentration at LTSM Station No. 7 and the average concentration of 92.0 mg/L is lower than the stream segment standard of 100 mg/L.

(iv) For the south mine area, according to the data, the range of pH at LTSM Station Nos. 1 and 2 falls within TCEQ stream segment standard. Chloride concentrations at LTSM Station No. 1 are lower than the concentrations at LTSM No. 2 and recent stream-monitoring data indicate an increasing trend in chloride concentration at both LTSM stations. A comparison of chloride concentrations to baseline data cannot be made because baseline data were not recorded for this parameter at LTSM Station Nos. 1 and 2; however, the average annual chloride concentrations at LTSM Station Nos. 1 (6 mg/L) and 2 (73.9 mg/L) are below the criterion for Stream Segment No. 1212 (100 mg/L).

(v). Sulfate concentrations for the north mine area at downstream LTSM Station No. 2 are higher than concentrations at LTSM Station No. 1. Stream-monitoring data indicate an increasing trend in sulfate at LTSM Station No. 2 starting in January 2015 and a consistent sulfate concentration of approximately 3 mg/L at LTSM Station No. 1 since January 2013. Baseline data were not recorded for sulfate at the LTSM stations during the monitoring period. The average sulfate concentration at

LTSM Station No. 1 (8.8 mg/L) is lower than the criteria for Stream Segment No. 1212 (100 mg/L) while the average concentration at LTSM Station No. 2 (104.9 mg/L) is only slightly higher.

(vi). Total Fe concentrations for the south mine area are lower at LTSM Station No. 2 than at LTSM Station No. 1 with average Fe concentrations of 0.9 mg/Land 2.1 mg/L, respectively. Alcoa indicates that EPA drinking-water standards for human consumption recommend levels of Fe lower than 0.3 mg/L; however, recommended levels have not been established for livestock watering. Alcoa does not anticipate total Fe concentrations to have a negative impact on downstream water quality. Graphical analyses of Fe at both monitoring stations indicate an increasing trend in total Fe concentration at LTSM Station No. 1 (upstream) and a declining trend at LTSM Station No. 2 (downstream). Limited baseline data is available for LTSM Station No. 2. The baseline data have an average concentration of 1.5 mg/L which is higher than the average concentration of 0.9 mg/L for LTSM Station No. 2.

(vii). TSS concentrations for the south mine area at LTSM Station No. 2 are lower than the concentrations recorded at LTSM Station No. 1. Alcoa's graphs of TSS vs. Flow depict decreasing trends in TSS concentrations at LTSM Station Nos. 1 and 2. The average TSS concentrations at LTSM Station Nos. 1 and 2 (137.3 mg/L and 19.3 mg/L, respectively) similar to and lower than, (respectively) the baseline average (120 mg/L) for Middle Yegua Creek listed in Table .146-26 of Permit No. 1F. The TSS data support Alcoa's conclusion regarding the improvement in TSS concentration due to the construction of sedimentation ponds during mining and the establishment of vegetation during reclamation.

(i). For the north mine area, no negative impacts are anticipated from flows leaving the proposed bond release area based in the analysis of available data for LTSM Station No. 7 downstream of the permit area. The flow-weighted average TDS concentration calculated for downstream LTSM Station No. 7 (507.9 mg/L) is greater than the flow-weighted average TDS concentration for upstream LTSM Station No. 6 (302.4 mg/L) but lower than the flow-weighted average for LTSM Station No. WQMP1 (561.7 mg/L) upstream of Station No. 7. A comparison of the average flow-weighted TDS concentration to stream segment criteria indicates that the TDS concentration at LTSM Station No. 7 downstream of the permit area exceeds the average annual maximum TDS concentration for Stream Segment No. 1212 (400 mg/L, Somerville Lake). In its analysis of the cumulative hydrologic impacts (section 6.0 of the CHIA), Staff indicates that the effects of mining on the TDS concentrations measured at mass-balance location No. 2 (East Yegua Creek) could be as high as 223 mg/L, and anticipates an increase in the TDS concentration at Somerville Lake (downstream of LTSM Stations 6, 7, and WQMP1 up to a maximum level of 230 mg/L. This is less than the maximum

annual average concentration for Stream Segment No. 1212. The flow-weighted TDS concentration at downstream LTSM Station No. 7 exceeds the TDS concentration predicted in the Cumulative Hydrologic Impact Assessment (CHIA) at Somerville Lake. Alcoa's graph of TDS vs. Flow shows an upward trend at downstream LTSM Station No. 7. In the application, Alcoa provides an explanation for the upward trend in TDS concentrations at downstream LTSM Station No. 7 and indicates that since May 22, 2012, TDS concentrations have remained near the baseline average of 791 mg/L with a range between 713 mg/L and 834 mg/L. Alcoa also indicates that water quality in the C-Area End Lake will influence TDS concentrations in East Yegua Creek and provides a graph depicting daily TDS concentrations in the lake. The average TDS concentration in the C-Area End Lake is 768 mg/L which is consistent with the baseline average. Although the graph of daily TDS concentrations at the C-Area End Lake does not have a labeled x-axis and the pond sampling data were not provided in the application, this information was previously provided in the application for Phase I, II and III release from reclamation obligations of 401.3 acres approved on January 27, 2015 (Docket No. C14-0001-SC-01-F).

(j). For the south mine area, the flow-weighted average TDS concentration calculated for downstream LTSM Station No. 2 (418.2 mg/L) is greater than the flow-weighted average TDS concentration for upstream LTSM Station No. 1 (193.9 mg/L). A comparison of the average flow-weighted TDS concentration to stream segment criteria indicates that the TDS concentration at LTSM Station No. 2 exceeds the average annual maximum TDS concentration for Stream Segment No 1212 (400 mg/L, Somerville Lake). In its analysis of the cumulative hydrologic impact (section 6.0 of the CHIA, Staff indicates that the effects of mining on the TDS concentrations measured at mass-balance location No. 1 (Middle Yegua Creek) could be as high as 480 mg/L, and anticipates an increase in the TDS concentration at Somerville Lake up to a maximum level of 230 mg/L. This is, however, less than the maximum annual average concentration for Stream Segment No. 1212 (400 mg/L). The flow-weighted TDS concentration at downstream LTSM Station No. 2 is lower than the TDS concentration predicted in the CHIA at Middle Yegua Creek. Alcoa's graph of TDS vs. Flow also shows a downward trend in TDS concentration at LTSM Station No. 2. Additionally, Table .146-26 in Permit No. IF indicates an average baseline TDS concentration for Middle Yegua Creek of 686 mg/L, which is higher than the average flow-weighted TDS concentration for LTSM Station No. 2 (418.2 mg/L). Based on the available data, TDS concentrations will not have a negative impact downstream of the mine on Walleye and Middle Yegua Creeks.

(k). Runoff from the 131.1 acres proposed for Phase III release from reclamation obligations in the north area of the Sandow Mine drains to the C and E-Area End Lakes. These two end lakes are covered under Water Right Permit Nos. 5540 and 5803, respectively. In the south area of the Sandow Mine, runoff from the 110.9 acres proposed for Phase III release drains to the G and H-Area End Lakes. The

G-Area End Lake is covered under Water Right Permit No. 5816. The H-Area End Lake is covered under Water Right Permit No. 12190. Alcoa provides an analysis of surface-water quantity in comparison to Alcoa's Statement of Probable Hydrologic Consequences (PHC) determination in Permit No. IF. In its analysis, Alcoa indicates that increases in surface-water runoff will mitigate increases in evaporative losses. Based on the pre-mine and postmine conditions considered in Table 146-25, Alcoa estimates the increase in annual evaporation losses (1,817 ac-ft/yr) for all permanent impoundments to be approximately 2% in comparison to the combined average flows of USGS Stations 08109700 and 08109800 on East and Middle Yegua Creeks (84,000 ac-ft/yr). In its CHIA, Staff anticipated slight changes in the quantity of surface water available to downstream water users. Staff also determined that the amount of water stored in the impoundments and lost to evaporation is negligible (3.7% on Yegua Creek) when compared to the aggregate amounts of water originating from the drainage basins upstream of the Cumulative Impact Area (CIA). Based on the available long-term, monitoring data, evaluation of the data supports the release of Phase III reclamation obligations for the collective 242.0 acres.

21. Of the 242.0 acres proposed for Phase III release, the 231.6 acres are bonded at the mined rate (Phase II release) of $1,080/acre and the 10.4 acres are bonded at the disturbed rate (Phase II release) of $1,080/acre. If the application is approved by the Commission, as proposed, Alcoa would be eligible to reduce its performance bond obligations by $287,496.00, as shown in the following table:

Bond Reduction as Proposed

Phase Requested	Area Acres	Disturbance Category	Bonded Per Acre	Eligible Reduction Per Acre	Eligible Reduction
Phase III	231.6	Mined	$1,080.00	$1,080.00	$250,128.00
Phase III	10.4	Disturbed	$1,080.00	$1,080.00	$11,232.00
Subtotal					**$261,360.00**
Admin. Costs (10%)					$26,136.00
Total					**$287,496.00**

22. The eligible bond reduction amount, based upon the Findings of Fact contained in this Order and Staff calculations, with which Alcoa agrees, is $287,496.00. No reduction of the $27,250,000 bond approved by Order dated April 8, 2015 is requested in this application.

Conclusions of Law

Based on the above Findings of Fact, the following Conclusions of Law are made:

1. Proper notice was provided for this request for release of reclamation obligations.

2. A public hearing on the request is not warranted.

3. Alcoa has complied with all applicable provisions of the Act and the Regulations for release of reclamation obligations for the areas requested for release as set out in the Findings of Fact.

4. The Commission may approve a release of reclamation obligations for Phase III reclamation obligations on 242.0 acres, as set out in the Findings of Fact.

5. An eligible bond reduction amount of $287,496.00 for use in reclamation cost estimates may be determined.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS that the above Findings of Fact and Conclusions of Law are adopted;

IT IS FURTHER ORDERED that a release of Phase III reclamation obligations on 242.0 acres, as set out in the Findings of Fact, is hereby approved;

IT IS FURTHER ORDERED that the current bond remains in effect according to its terms until the Commission approves a replacement bond;

IT IS FURTHER ORDERED that, as a result of the Phase III release of 242.0 acres, the Commission approves an eligible bond reduction amount of $287,496.00;

IT IS FURTHER ORDERED that the Commission may vary the total amount of bond required from time to time as affected land acreage is increased or decreased or where the cost of reclamation changes;

IT IS FURTHER ORDERED that the areas shall continue to be marked in the field to assist in future field inspections of other areas; and

IT IS FURTHER ORDERED by the Commission that this order shall not be final and effective until 25 days after a party is notified of the Commission's order. If a timely motion for rehearing is filed by any party of interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. As authorized by TEX. GOV'T CODE 2001.146(e), the time allotted for

Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the parties are notified of the order.

SIGNED this 27th day of September, 2016.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN DAVID PORTER

COMMISSIONER CHRISTI CRADDICK

COMMISSIONER RYAN SITTON

ATTEST:

Secretary
Railroad Commission of Texas