November 8, 2012

Gary Rudholm, Senior Planner
SANTA CLARA COUNTY
70 West Hedding Street
San Jose, CA 95110

RE: REVIEW OF OCTOBER 2012 FACE FOR LEHIGH PERMANENTE MINE
CPO FILE 2250-13-66-09PAM (PERMANENTE ROAD)
PERMANENTE QUARRY, 91-43-0004
CUPERTINO, CALIFORNIA

Dear Mr. Rudholm:

PMC has reviewed the October 2012 Reclamation Plan Amendment (RPA) Financial Assurance Cost Estimate (FACE) for Lehigh Southwest Cement Company's Permanente Quarry, near Cupertino (Mine ID #91-43-0004). This cost estimate was revised based on our September 28, 2012 comment letter on the July 2012 FACE. This document was prepared by the mine operator's consultant, Enviromine, Inc., in accordance with Public Resource Code 2774 of California's Surface Mining and Reclamation Act. Our comments are provided to assist the County in its review of the adequacy of the estimate.

The total cost for reclamation in the October 2012 FACE is $51,391,835 and increase of approximately 2.8% over the July 2012 FACE. This FACE covers reclamation costs for a area disturbed by mining of approximately 640 acres mining within the 1,238.6 acres covered by the 2012 RPA. The FACE includes a 2% multiplier of the direct and indirect costs for lead agency administrative costs.

The October 2012 FACE provides additional information and cost adjustments for seven of the eight issues identified in our September 28, 2012 comment letter. This additional information includes:

1. A more detailed listing of the costs for the conveyor equipment in Attachment 1. This cost sheet includes the cost for freight and sales tax at a rate of 8.25%. The cost of the conveyor system is now $8,091,000, an increase of approximately 17% over the July 2012 FACE.

2. The October 2012 FACE reduced the duration of the work effort for placing 63,000 tons of organic material into the conveyor hopper for mixing with the backfill material from the West Material Storage Area being placed into the North Quarry, while increasing the hours for this effort from 220 to 600. The final cost for this task is approximately 2% higher than the July 2012 FACE because of a change in the type of equipment and a corresponding reduction in hourly equipment rate.

3. The cost for placing non-limestone caps has been adjusted upwards by assuming 83% efficiency. The total cost is now $961,557, approximately 13.8% higher than the July 2012 FACE.

4. The costs associated with reclamation of the Permanente Creek Restoration Area (PRCA) have been brought together in Section 2.3. The total cost for reclaiming 13.7 acres in the PRCA is $486,255. This cost assumes that 9 acres of the PCRA's 22.7 acres have been reclaimed in 2012. Attachment 4 of the October 2012 FACE provides invoices from various vendors for the 2012 reclamation work. The total cost for reclaiming the 9 acres is $264,876 or approximately

$29,430 per acre. This is slightly less than the per acre cost of $35,493 assumed in the October 2012 FACE for the remaining 13.7 acres in the PCRA. A determination of whether the reclamation of 9 acres in the PCRA is complete still needs to be done. This issue was not addressed during the 2012 SMARA Inspection conducted on September 6 and 7.

5. Costs for geotechnical oversight now include professional supervision time. The total cost for geotechnical oversight is now $553,050, a slight reduction from $559,600 given in the July 2012 FACE. This reduction is due to a lowering of the hourly rate for the technician.

6. Attachments 4, 5 and 6 in the October 2012 FACE have unit costs for hydroseeding and seed mixes. These costs are used in both the PCRA and overall site re-vegetation estimates. The cost for re-vegetation of the mine site, excluding the PCRA, is now given as $2,268,749. This cost is higher than the July 2012 FACE for labor tasks because of the assumption of 83% efficiency, but lower for seed costs. However, there is a problem with this total. The sum of the components listed in Section 2.4 for the general site re-vegetation add to $2,612,101, which is $343,352 more than the October 2012 FACE estimate a value equals the cost for topsoil distribution on page 21. Even with the topsoil distribution included, the October 2012 FACE estimate for site re-vegetation is slightly less than $2,731,809 given in the July FACE, if the same components are summed. There is also a small discrepancy in the unit costs for the unit costs for PCRA riparian seed mix (page 18) compared to Table 2 in Attachment 5, but because the treatment area is only one acre the difference isn't significant. We recommend that the operator review the re-vegetation costs in Section 2.4 and revise as necessary.

7. The final issue in our September 28, 2012 comment letter dealt with the cost for moving the aggregate materials now stockpiled in the Surge Pile and at the Rock Plant. The operator's response to our comment was that the FACE doesn't need to include costs for the completion of mining and therefore no estimate for moving this material was included in the October 2012 FACE. We recommend that the County evaluate whether the FACE should include the cost for moving the aggregate material in the Surge Pile and Rock Plant areas.

We recommend that the mine operator submit a revised October 2012 FACE and update the financial assurance, i.e., the bond, to reflect these changes.

LIMITATIONS

Our services are limited to providing professional opinions and recommendations made in accordance with generally accepted engineering geology principles and practices. No warranty, expressed or implied, of merchantability or fitness, is made or intended in connection with our work, by our proposal for consulting or other services, or by our oral or written reports or findings. Our services have been limited to review of the Reclamation Plan as provided by the County, review of previous available annual SMARA inspection reports, visual field inspections, discussions with the County and operator staff, and the preparation of this letter report.

If you have any questions, please feel free to contact me at (530) 750-7076 or e-mail me at kcustis@pmcworld.com.

Sincerely,
PMC

Kit H. Custis
Engineering Geologist – Hydrogeologist
PG 3942, CEG 1219, CHG 254
Expires 2/29/2014

KHC:kc:

PMC Permanente October 2012 FACE review 11_8_2012