

Martin Steitz
21853 Iden Avenue Place North
Forest Lake, MN 55025
zentrout@me.com

February 14, 2015

Latell Armand Southall
Regulatory Specialist
Department of the Interior
Office of Natural Resources Revenue
MS 61030A, P.O. Box 25165,
Denver, CO 80225-0165

Subject: Close the coal valuation loopholes! (Docket ONRR-2012-0004)

Dear Armand Southall, Office of Natural Resources Revenue,

As a taxpayer concerned about coal operations on federal land, I am writing to support reform of the coal royalty valuations on federal and Tribal lands. The proposed rule is a much-needed step in the right direction; however, it does not go far enough. Coal is the largest source of dangerous carbon pollution in the country and the federal coal-leasing program is a serious threat to President Obama's efforts to combat climate disruption. I urge you to adopt even stronger regulations that will protect federal lands, help prevent carbon pollution, and ensure coal companies pay their fair share.

The existing royalty loophole made it possible for coal companies to sell coal to their own subsidiaries and pay royalties on that sale in order to reduce their royalty rate. A recent report from the Center for American Progress, found that 42 percent of coal produced in Wyoming in 2012 was sold this way and that the five biggest coal companies operating in the Powder River Basin currently have more than 500 affiliated companies through which they sell coal. As a result, the coal industry is paying just 4.9 percent of the value of coal mined from public lands -- well below the 12.5 percent royalty rate companies are supposed to pay under federal law for surface mined coal and the 8 percent royalty rate for underground coal.

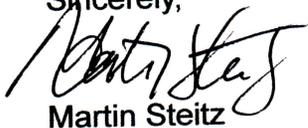
The final rule must reflect the true value of publicly-owned coal and ensure fair returns to taxpayers by incorporating the following changes:

1. Your proposal intends to base royalties on the first "arms length" sales, but this is still too early in the process. Instead, royalties should be based on the final sale to a power plant or other end-user. This would improve transparency, reduce administrative burdens, and better reflect the true value of publicly-owned coal.

2. Instead of allowing coal companies to pass the full price of transporting and washing coal onto the public, these reductions should be capped at 50 percent, in line with the oil and gas rules.

3. Studies suggest the current proposal vastly understates the pervasiveness of non-arms-length coal sales. The final regulation should reanalyze the issue and recalculate the benefit to taxpayers from closing the loophole.

Sincerely,

A handwritten signature in black ink, appearing to read "Martin Steitz", written in a cursive style.

Martin Steitz