E. List of Attachments

Topographic Maps (Section B)
Appendix A: Applicant Certification Clause
Appendix B: FEMA Floodplain Map with Map Number
Appendix C: SHPO Comments
Appendix D: Reclamation Plan
Appendix E: Correspondence with US Fish and Wildlife Service Phase I and Phase II Environmental Site Assessments (already provided)
Appendix F: Description of Tanks
Appendix G: Public Notification
Appendix H: Photos of Property
Appendix I: Phase I ESA Update Executive Summary
Appendix J: Phase II ESA Update Executive Summary
Appendix K: Copies of all Agency Correspondence
Appendix A: Applicant Certification Clause

The applicant represents and certifies that it has used due diligence to determine that the description of the project site described herein is accurate with respect to the presence or absence of contamination from toxic and hazardous substances. The term "site" includes the entire scope of the project, including future phases of the project and all areas where construction will occur.

1. Is the site currently, or has it in the past 50 years, been used for any of the following operations or activities:
   a. Generation of hazardous substances or waste?
      ___ Yes  X  No
   b. Treatment, storage (temporary or permanent), or disposal of solid or hazardous substances or waste?
      ___ Yes  X  No
   c. Storage of petroleum products?
      ___ Yes  X  No
   d. Used/waste oil storage or reclamation units?
      ___X  Yes  ___ No
   e. Research or testing laboratory?
      ___ Yes X No
   f. Ordnance research, testing, production, or storage?
      ___ Yes  X  No
   g. Chemical manufacturing or storage?
      ___Yes X No
   h. Military weapons or ammunition training or testing?
      ___ Yes  X  No
i. Iron works/foundry?

___ Yes X No

j. Railroad yard?

___ Yes X No

k. Industrial or manufacturing operation?

___ X_ Yes ___ No

If any of the above operations ever occurred at the site, and if appropriate cleanup or other mitigation actions were performed in accordance with the local, State, and federal laws, please attach documentation of these actions. (Please see Appendix D.)

2. Do wells draw water from an underlying aquifer to provide the local domestic water supply?

___ Yes X No

3. Has a federal, State, or local regulatory authority ever conducted an environmental assessment, environmental impact statement, or a preliminary assessment/site inspection, or similar environmental surveyor inspection report at the site? If yes, please attach copies of these reports or results. (Previously provided.)

___ X_ Yes ___ No

4. Have any environmental or OSHA citations or notices of violation been issued to a facility at the site? If yes, please attach copies.

___ Yes X No

5. Have any unauthorized releases of hazardous substances occurred at any facility at the site which resulted in notification of the EDA’s National Response Center?

___ Yes X No

6. Is any material containing asbestos located at the site? If yes, please attach information concerning State and federal regulatory compliance. (See Appendix D.)

___ X_ Yes ___ No
7. Is there any equipment (electrical transformers, etc.) containing polychlorinated biphenyls (PCB) on the site? If yes, please attach a description of the equipment.

   ____ Yes X No

8. Are there underground storage tanks on the site? If yes, please attach a detailed description, including the number of underground storage tanks on the site, whether the tanks have been inspected (or removed) and the results of such inspections. (See Appendix F for description.)

   X. Yes __ No

9. Has the site been tested for radon? If yes, please attach results.

   ____ Yes X No

10. Have there been or are there now any environmental investigations by federal, State, or local government agencies that could affect the site in question? If yes, please attach available information.

    X. Yes __ No

The applicant acknowledges that this certification regarding hazardous substances and/or waste is a material representation of fact upon which EDA relies when making and executing an award. EDA reserves the right to terminate any award made in conjunction with the representations contained herein if, at any time during the useful life of the project, EDA becomes aware of the presence of hazardous materials or waste at the site, or that hazardous materials or waste have been inappropriately handled thereon.

Further, if it is determined at any time that the presence of hazardous materials or waste, or handling thereof, has been misrepresented, EDA may pursue other available legal remedies against the applicant.

Applicant Name: Flathead County Economic Development Authority

Name and title of applicant’s authorized representative: Kellie Danielson, President/CEO

Signature of applicant’s authorized representative: [Signature]

Date signed: December 19, 2011
Appendix C: SHPO Comments

December 5, 2011

Kim Morisaki
Flathead County Economic Development
314 Main Street
Kalispell MT 59901

RE: KALISPELL RAIL PARK. SHPO Project #: 2011120208

Dear Kim:

I have conducted a cultural resource file search for the above-cited project located in Section 8, T28N R21W. According to our records there have been a few previously recorded sites within the designated search locales. In addition to the sites there have been a few previously conducted cultural resource inventories done in the areas. I’ve attached a list of these sites and reports. If you would like any further information regarding these sites or reports you may contact me at the number listed below.

It is SHPO’s position that any structure over fifty years of age is considered historic and is potentially eligible for listing on the National Register of Historic Places. If any structures are to be altered and are over fifty years old we would recommend that they be recorded and a determination of their eligibility be made.

As long as there will be no disturbance or alteration to structures over fifty years of age we feel that there is a low likelihood cultural properties will be impacted. We, therefore, feel that a recommendation for a cultural resource inventory is unwarranted at this time. However, should structures need to be altered or if cultural materials be inadvertently discovered during this project we would ask that our office be contacted and the site investigated.

If you have any further questions or comments you may contact me at (406) 444-7767 or by e-mail at dmurdo@mt.gov. I have attached an invoice for the file search. Thank you for consulting with us.

Sincerely,

Damon Murdo
Cultural Records Manager
State Historic Preservation Office

File: EDA/2011
<table>
<thead>
<tr>
<th>Site #</th>
<th>Top</th>
<th>Eng</th>
<th>Sec</th>
<th>Qs</th>
<th>Site Type 1</th>
<th>Site Type 2</th>
<th>Time Period</th>
<th>Owner</th>
<th>NR Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>3HFR214</td>
<td>16 N</td>
<td>110</td>
<td>336</td>
<td>4 SE</td>
<td>Historic Energy Development</td>
<td>Historic Courthouse</td>
<td>Historic More Than One</td>
<td>Private</td>
<td>RR Listed</td>
</tr>
<tr>
<td>3HFR349</td>
<td>16 N</td>
<td>110</td>
<td>18</td>
<td>8 NE</td>
<td>Historic District</td>
<td>Historic Courthouse</td>
<td>Historic More Than One</td>
<td>Private</td>
<td>RR Listed</td>
</tr>
<tr>
<td>3HFR314</td>
<td>16 N</td>
<td>110</td>
<td>136</td>
<td>4 SE</td>
<td>Historic Residence</td>
<td>Bull</td>
<td>Historic More Than One</td>
<td>Private</td>
<td>RR Listed</td>
</tr>
<tr>
<td>3HFR304</td>
<td>16 N</td>
<td>110</td>
<td>11</td>
<td>9 NE</td>
<td>Historic Residence</td>
<td>Bull</td>
<td>Historic More Than One</td>
<td>Private</td>
<td>RR Listed</td>
</tr>
<tr>
<td>3HFR316</td>
<td>16 N</td>
<td>110</td>
<td>77</td>
<td>9 SE</td>
<td>Historic Residence</td>
<td>Bull</td>
<td>Historic More Than One</td>
<td>Private</td>
<td>RR Listed</td>
</tr>
<tr>
<td>3HFR306</td>
<td>16 N</td>
<td>110</td>
<td>19</td>
<td>9 SE</td>
<td>Historic Residence</td>
<td>Bull</td>
<td>Historic More Than One</td>
<td>Private</td>
<td>RR Listed</td>
</tr>
<tr>
<td>3HFR316</td>
<td>16 N</td>
<td>110</td>
<td>77</td>
<td>9 SE</td>
<td>Historic Railroad</td>
<td>Bull</td>
<td>Historic More Than One</td>
<td>Private</td>
<td>RR Listed</td>
</tr>
</tbody>
</table>
Appendix D: Reclamation Plan

Ronnie Pack Opencut Contract No. Amendment No. N/A
Reclamation Plan for Oregon Street Pit
NW', Section 8 T28N, R21W, Flathead County

SECTION I - Pre-Mine and Base Line Information

A. The area to be mined is an existing unreclaimed gravel pit. This pit's history dates back to about 1900. The slopes surrounding the pit are at the angle of repose. The pit previous to the 1970's was mined up to the adjacent landowner's property line to the west. There has been no previous topsoil salvaged. To the north of the pit is a gravel pit operated by McElroy & Wilkens, to the west is a single-family residence, to the east is a commercial repair shop, and the county road and a trailer court is to the south. The soil type which is found on a site like this is a gravelly sandy loam. There is no surface water on or near the site. The estimated depth to groundwater is 75 feet, with seasonal and man-made fluctuations unknown. The topography can be described as a glacial drumlin which has been heavily impacted by gravel mining.

B. This gravel pit is in an area which receives approximately 16 inches of precipitation annually.

C. The vegetative cover is very scarce due to the disturbed nature of the site. There is no significant wildlife use.

SECTION II - Operation and Reclamation Plan

A. The site will be used as a commercial building site.

B. The topsoil at this site is almost nonexistent; however, if any topsoil is encountered, we will salvage and stockpile it using either a front end loader or dozer, for reclamation of the site. Any topsoil found on the mined area, crusher and hotplant sites and any staging areas adjacent to the mined area will be salvaged and stockpiled.

C. Where encountered, topsoil will be salvaged separately from overburden and stockpiled where it will not be lost to erosion or machinery activity. Since there is not enough available topsoil to reclaim the site, topsoil will be brought in and evenly placed over the slopes.

D. The haul road to the site is existing and will remain to provide access to the site after reclamation is completed. It will be maintained in such a manner as to control and minimize channeling and other erosion.

E. If necessary, earthen berms or other erosion control devices will be used to prevent sedimentation on or in adjoining lands and to control water drainage.

F. All slopes will be graded to a 3:1 or flatter slope. The exception would be the steep slope next to the residence to the west. This area was mined prior to the advent of the Opencut Law and has not been mined since. The area disturbed prior to the law is outlined on the accompanying map.
Upon completion of mining, we would leave a shelf of prelaw disturbance on the west bank out about 15 to 20 feet and finish the mining at a 3:1 slope; thus not affecting the existing prelaw slope. The site will be daylighted to the north so it will blend into McElroy & Wilkins' pit reclamation. It will also be daylighted to the south. To the east will be a 3:1 or flatter slope. All of the 3:1 or flatter slopes will be seeded with a layer of clay. The clay will then be covered by 4" of topsoil to provide a seed bed. This will require topsoil to be hauled in. The pit floor will not be topsoiled or seeded.

G. All oversize not used will be buried and covered with at least two feet of gravel. All metal and other refuse will be hauled off and disposed of properly. Liquid petroleum based products and other toxic materials will be disposed of in such a manner as to not inhibit revegetation or cause water pollution.

H. Following regrading, retopping and discing if necessary, all of the slopes will be drill seeded on the contour, unless otherwise approved in writing, to the following species:

<table>
<thead>
<tr>
<th>Grass Type</th>
<th>PLS/Acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orchardgrass</td>
<td>4.6</td>
</tr>
<tr>
<td>Smooth brome</td>
<td>5.75</td>
</tr>
<tr>
<td>Perennial rye</td>
<td>5.75</td>
</tr>
<tr>
<td>Crested wheatgrass</td>
<td>4.6</td>
</tr>
<tr>
<td>Yellow sweet clover</td>
<td>2.3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>23.0</strong></td>
</tr>
</tbody>
</table>

I. The seeding will be done between October 15 and May 1, the seed will be weed-free; and that noxious weeds will be controlled as specified. The Flathead County Weed Control Board will be contacted as to how to control the weeds. 18% nitrogen and 46% phosphorous fertilizer will be applied at the same time as the seed.

J. Barricades, or similar devices, will be used to protect the newly seeded areas from trespass until vegetation becomes established.

K. The exact date when mining will be completed is unknown. Final grading, topsoiling, and seeding will be completed no later than one year after mining has ceased. Reclamation will be concurrent with mining.

L. Reclamation costs:

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 hours of equipment @ $50.00/hour</td>
<td>$1,500.00</td>
</tr>
<tr>
<td>30 man-hours @ $20.00/hour</td>
<td>600.00</td>
</tr>
<tr>
<td>Seed costs for 3.5 acres @ approx. $70.00/Acre</td>
<td>245.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,345.00</strong></td>
</tr>
</tbody>
</table>

**SECTION III**

Annual Progress Report will be submitted to the Commissioner each calendar year the site is operated.
SECTION IV

Proper care will be taken to avoid range and forest fires. State fire regulations will be complied with.

SECTION V

Should significant archeologic or historic value be found, the operations will be routed around the site of discovery for a reasonable time until salvage can be made. The State Historic Preservation Office will be promptly notified.

Signature: [Signature]

Date: 7-16-82
Appendix E: Correspondence with US Fish and Wildlife Service

Regarding the new proposed site for the Railroad Business Park adjacent to Whitefish Stage Road: the only federally listed species that may be present in the area is the threatened bull trout (*Salvelinus confluentus*), which uses the Stillwater River as a migratory corridor between Flathead Lake and its spawning areas in headwater streams in the Whitefish Mountain Range. No critical habitat occurs in the area, and no other listed species are known or expected to be present.

Feel free to contact me directly if you have further questions.

************************
Shannon Downey
Fish and Wildlife Biologist
US Fish & Wildlife Service
780 Creston Hatchery Rd
Kalispell, MT 59901
(406) 758-6871 - office
(406) 431-6440 - cell
shannon_downey@fws.gov

Appendix F: Description of Tanks

In addition to the tanks described in the Phase I and Phase II Environmental Assessments and remediated according to DEQ prescription, three other tanks have been located on the property.

Roger Noble, Applied Water Consulting, was hired by FCEDA to complete an additional Environmental Assessment. As a result of his research he states:

Three buried concrete tanks that are connected to the concrete wash sump. The three interconnected tanks function as an oil/water separator. The concrete wash sump was identified by AMEC in the original Phase I ESA, but not the three tanks.

The three tanks have concrete covers for access. Upon our initial inspection, all three tanks were full of water and sludge. This material was removed by Arrow Power Vac. The intent is to remove the tanks via excavation and inspect the sidewalls and base of the tanks for a potential petroleum release.

We have requested approval to dispose of the demolished concrete at the Flathead County Solid Waste District (landfill). David Prunty, FCSWD Director, has indicated that he will inform me tomorrow regarding this decision.
Appendix I: Phase I ESA Update Executive Summary
EXECUTIVE SUMMARY

Applied Water Consulting (AWC) was retained by Flathead Economic Development Authority (FEDA) to update the original Knife River Property Phase I Environmental Site Assessment (ESA) performed by AMEC (March 2011). The update was necessary because the U.S. Environmental Protection Agency’s (EPA) All Appropriate Inquiry (AAI) rules require that an ESA must be conducted or updated within 180 days prior to acquiring ownership of a property.

The ESA update was completed in accordance with American Society for Testing and Materials (ASTM) Standard E 1527-05 (ASTM International 2005). ASTM E 1527-05 complies with EPA Final Rule (40 CFR 312). AWC reviewed historical documents, maps, and government records; interviewed the property managers and others with knowledge of the site; conducted a regulatory database search; and conducted a visual survey on December 2, 2011.

This update identified one recognized environmental condition (REC) that was not previously documented and four environmental issues that were not previously described in the original Phase I ESA (AECOM, March 2011). This report presents the findings of the Phase I ESA update that was performed at Knife River Corporation’s (KRC) “Town Gravel Pit” in Kalispell, Montana.

The Knife River Property, formerly known as the McElroy and Wilken Gravel Pit, is located at 801 Whitefish Stage Road in Kalispell, Montana. The subject property consists of seven (7) contiguous tracts located between Whitefish Stage Road on the west and Flathead Drive on the eastern margin. The property is zoned Heavy Industrial (I-2) by the Flathead County Planning & Zoning Department (FCPZD).

KRC has depleted the sand and gravel reserves at the subject property and is in the process of completing site reclamation. A portion of the property that includes the truck repair shop, the Quonset building and a vehicle storage area in the northwest corner of the site is currently leased to Butch Barber Trucking.

The update for the Phase I ESA identified one REC that was not previously documented in the original Phase I ESA (AECOM, March 2011). The additional REC includes:

- An oil-water separator, connected to both the floor drain in the truck repair shop and the exterior sump, is located adjacent to the northwest corner of the diesel shop. The oil-water separator consists of two concrete tanks, which are plumbed together. Each tank contains an internal baffle, creating four individual chambers. All four of the chambers were full with a combination of oily-water and sludge at the time this ESA update was conducted.
In addition, our update also identified the following four environmental issues that were not previously described in the original Phase I ESA (AECOM, March 2011):

1. The Knife River gravel pit is regulated under the OpenCut Mining Program of the Industrial and Energy Minerals Bureau of the Department of Environmental Quality (DEQ). There are two active operating permits issued for the subject property that include the Wilcox Pit (Permit No. 30) and the Pack Pit (Permit No. 54). There are no current violations on record. Knife River is working closely with DEQ to conduct site reclamation. However, DEQ requires that the permittee demonstrate successful reclamation, which necessitates two growing seasons to establish a vegetative cover. Therefore, the earliest the opencut bond could be released and the permit closed is the summer of 2013. However, a partial bond release could be obtained to allow for construction on the pit floor.

2. There are two onsite septic systems. The Flathead County Health Department (FCHD) issued a permit for the septic system associated with the office/scale building, which is scheduled to be razed. The septic tank should be pumped and filled with inert material in accordance with FCHD closure requirements. The second septic system is associated with the diesel repair shop; no permit is on file at FCHD for this system. Because the building is currently leased, the septic tank should also be pumped and maintained on a routine basis in accordance with standard FCHD septic system operational recommendations.

3. Three onsite water supply wells were located during the onsite inspection that include: 1) an 8-inch ID water supply well for the concrete batch plant; 2) a 6-inch ID water supply well for the office and shop buildings; and 3) a 10-inch ID, high capacity well that was used for filling water tenders. The main supply well and the concrete batch plant well are located in the northwest corner of the facility. However, the water-tender well is located adjacent to the KRY CECRA site boundary. A groundwater sample collected from the well on June 22, 2006 did not report any contaminants were detected.

   According to Moriah Bucy, Project Officer for KRY CECRA Site, DEQ is concerned that use of this well has the potential to alter the groundwater flow direction and draw contaminants from the KRY CECRA site onto the subject property. The well should be plugged and abandoned in conformance with Montana Board of Water Well Contractor well construction rules.

4. A number of unlabeled 55-gallon drums were observed in and adjacent to the concrete batch plant building. The drums are full or partially full for which the contents could not be determined. The drums do not appear to be leaking. Arrangements should be made for the proper disposition of these drums.
5. As previously acknowledged in the original Phase I ESA, groundwater and soil contamination originating from the KRY CECRA site has migrated beneath the northeast corner of the subject property and is considered a REC. The results of the Phase II ESA documented that free product is present on the water table in monitoring well KRY 111A and the groundwater is likely contaminated with pentachlorophenol (PCP), dioxins/furans, manganese, iron, and petroleum hydrocarbons at concentrations above DEQ water quality standards (AECOM, November 2011). In addition, previous groundwater results from monitoring well KRY 121A also contained PCP, dioxins/furans, manganese, iron, and petroleum hydrocarbons.

According to Ms. Bucy, in 2009 and 2010 the Montana Supreme Court determined and confirmed there are seven potential responsible parties (PRPs) for KRY CECRA, respectively. Allocation for cleanup was fully resolved. Knife River was not named as a PRP and therefore, DEQ does not intend to name them in the future. Should FEDA acquire the Knife River Property, it will be imperative that FEDA remain abreast with regard to the development of the final remedial action plans proposed for the KRY CECRA site. Specific tasks that FEDA should track include:

➢ Proposed alternatives for groundwater remediation that include the removal of light non-aqueous phase liquids (LNAPL), also referred to as free product, through the use of belt skimmers, passive skimmers, pumps, vacuum extraction, or other methods. The placement of new recovery wells or extraction equipment could affect future development plans.

➢ Institutional controls such as implementation of a Groundwater Control Area, restrictive covenants placed on property impacted or potentially impacted by the KRY CECRA site, and/or construction restrictions (e.g. limitations to slab-on-grade buildings or excavation into the cap that will be placed on the dioxin/furan repository) may have an influence on site development.

It is recommended that FEDA staff closely communicate with Moriah Bucy, DEQ Project Officer for KRY CECRA Site during the development of the remedial action plans to determine if any of the proposed remedial alternatives have the potential to interfere or conflict with the land-use activities planned for the Knife River Property.
Appendix J: Phase II ESA Update Executive Summary
EXECUTIVE SUMMARY

Applied Water Consulting (AWC) was retained by Flathead Economic Development Authority (FEDA) to update the original Knife River Property Phase I Environmental Site Assessment (ESA) in order to comply with the U.S. Environmental Protection Agency’s (EPA) All Appropriate Inquiry (AAI) rules. The update identified one recognized environmental condition (REC) and four environmental concerns that were not previously disclosed. Therefore, a Phase II ESA was conducted to evaluate the potential environmental impacts associated with the REC and the other environmental issues. AWC investigated and addressed the following potential contaminant sources and/or environmental concerns as part of our Phase II tasks:

- An oil-water separator containing oily-water and sludge
- Closure of the onsite septic system serving the office/scale house
- Plugging and abandonment of a high-capacity industrial supply well
- Disposition of unlabeled 55-gallon drums

Oil-Water Separator Removal and Closure

An oil-water separator, connected to both the floor drain in the truck repair shop and the exterior sump, is located adjacent to the northwest corner of the truck repair shop. The four chambers of the separator were full of oily-water and sludge at the time the Phase I ESA Update. The contents of both the exterior sump and the oil-water separator were pumped out and transported to Missoula, Montana for processing and recycling. The oil-water separator was excavated and removed on December 16, 2011. Inspection of the tank basin determined that no soil staining or odors were observed at the base of excavation. Two soil samples were collected beneath the bottom of the separator to document site conditions. A layer of gray to black stained soil was observed on the north wall of the excavation at a depth of 5 feet. Although the soil was discolored, it did not have a petroleum odor but rather a sewer odor. A third soil sample was collected from this area.

The results of the laboratory analyses for extractable petroleum hydrocarbons (EPH) reported the concentrations are below the fractionation threshold level of 200 mg/kg and therefore, no further analysis is necessary. The results of the laboratory analyses for a suite of volatile organic compounds (VOCs) reported all concentrations as not detected (ND) above the reporting limits. The results of the RCRA metals analyses were reported as ND or at concentrations substantially below Montana Tier 1 Risk-Based Screening Levels (RBSSLs).

The concrete debris from both exterior sump and the oil-water separator tanks were determined to be nonhazardous materials and disposed at the Flathead County Landfill. The tank excavation was backfilled with clean pit-run fill material and graded to the surrounding land surface.
Onsite Septic Tank Closure

The office/scale house building was razed as part of site cleanup activities. The content of the septic tank that serves this building were pumped out and the tank filled with clean pit-run backfill. The tank has been abandoned in accordance with Flathead County regulations for onsite sewage treatment systems.

Plugging and Abandonment of a High-Capacity Industrial Supply Well

A high-capacity industrial supply well is located adjacent to the KRY CECRA site boundary. The well is completed in the alluvial aquifer and DEQ expressed concern that use of this well has the potential to alter the groundwater flow direction and draw contaminants from the KRY CECRA site onto the subject property. The drop pipe and pump were removed and the well casing was filled with granular bentonite chips from the bottom to the surface. A steel cap was welded on below grade in accordance with Montana Board of Water Well Contractor standards.

Disposition of Unlabeled 55-gallon Drums

Approximately 25, unlabeled 55-gallon drums were observed throughout the property. The drums are full or partially full for which the contents could not be determined. None of the drums appeared to be leaking. Knife River Corporation (KRC) personnel have transported the drums to the main operation plant located at 3131 Highway 2 East in Kalispell, Montana. The contents of the drums will be examined and characterized and the material either used or properly disposed.

The Phase II site assessment and closure tasks were successfully completed in accordance with applicable rules and guidelines. No further action is required with regard to the afore listed environmental concerns.
Appendix K: Letter from the Montana Department of Environmental Quality
December 12, 2011

Via Email and U.S. Mail

Kellie Danielson
Montana West Economic Development Corporation
314 Main Street
Kalispell, MT 59901

Subject: Knife River Gravel Pit Property in Kalispell, Montana

Dear Kellie:

The Montana Department of Environmental Quality (DEQ) has reviewed the Phase II Environmental Site Assessment (ESA) Report for the Knife River Property prepared by AMEC Geomatrix, Inc. on behalf of the City of Kalispell. This report contains results for sampling activities associated with the existing and historic operations on the property, as well as sampling activities conducted to verify contaminant concentrations associated with the KRY Site.

As you are aware, the northeastern portion of the Knife River property falls within the boundary of the KRY Site, a group of three Comprehensive Environmental Cleanup and Responsibility Act (CECRA) facilities. The KRY Site is being remediated pursuant to a judicial abatement order under the authority of the CECRA program, and that remediation work is being conducted by BNSF Railway Company, along with its environmental consultants and contractors. Under these circumstances, Section 75-10-706(3), MCA, requires DEQ permission before conducting work on the Knife River property that is within the boundary of the KRY Site. The City of Kalispell submitted a work plan for a Phase II ESA, received DEQ permission to conduct the work, and submitted the ESA report to DEQ.

DEQ reviewed the report and found a number of inaccuracies or areas of potential concern. A copy of DEQ's letter on the Phase II ESA report that was sent to the City of Kalispell is enclosed for your information. Based on the information provided in the report, the recent groundwater sampling verified the results from the previous remedial investigation groundwater sampling conducted for the KRY Site in 2006 and the semi-annual groundwater monitoring that has been conducted since 2006. Additionally, lead-contaminated soils identified adjacent to the northern-most portion of the Knife River property (north of the un-named road that forms the northern boundary of the gravel pit) were stabilized, excavated, and shipped offsite for disposal in October and November of 2010. During the lead-contaminated soils excavation work, an area of petroleum sludge contamination was identified on or adjacent to the northern property boundary of the Knife River property (where it connects to the DNRC property north of the un-named
road), which will require cleanup as part of the sludge portion of the remedy. Therefore, aside from the previously identified groundwater contamination and the small area of sludge contamination that may extend onto Knife River property, the report does not indicate remaining sources of contamination associated with the KRY Site on the Knife River property. This soil and groundwater contamination, including free phase petroleum on the water table, will be addressed as part of the required cleanup activities currently being conducted by BNSF Railway Company under the oversight of DEQ. As such, there will be additional contact with the property owner(s) in the future to coordinate those activities.

The Phase II ESA report identified additional sources of contamination associated with historic and current operations on the Knife River property. However, these portions of the property are outside of the identified KRY Site boundaries and are therefore not under DEQ oversight associated with the KRY Site. However, DEQ understands that the current property owner is undertaking some of the necessary cleanup activities to address that contamination.

Please feel free to contact me if you have any questions. I can be reached at 406-841-5064 or via email at mbucy@mt.gov.

Sincerely,

Moriah Bucy
Environmental Specialist

Enclosure

cc:   Cynthia Brooks, DEQ Legal
December 12, 2011

Katharine Thompson
City of Kalispell
201 First Ave. E.
Kalispell, MT 59901

RE: Phase II Environmental Site Assessment (ESA) Report for the Knife River Property in Kalispell, MT

Dear Katharine:

The Montana Department of Environmental Quality (DEQ) has reviewed the above-referenced report submitted by AMEC Geomatrix, Inc. (AMEC) on November 4, 2011. As you are aware, the northeastern portion of the Knife River property falls within the boundary of the KRY Site, a group of three Comprehensive Environmental Cleanup and Responsibility Act (CECRA) facilities. The KRY Site is being remediated pursuant to a judicial abatement order under the authority of the CECRA program, and that remediation work is being conducted by BNSF Railway Company, along with its environmental consultants and contractors. Under these circumstances, Section 75-10-706(3), MCA, requires DEQ permission before conducting work on the Knife River property that is within the boundary of the KRY Site. The City of Kalispell submitted a work plan for a Phase II ESA, received DEQ permission to conduct the work, and submitted the ESA report to DEQ.

DEQ approval of this report is not necessary nor required. However, upon review of the Phase II ESA report, DEQ noted a couple of incorrect statements with regard to the remedy outlined in the Record of Decision (ROD). While DEQ is not requiring that the report be revised, DEQ wants to clarify the following for the site files and future readers of the report:

1. Section 2.1, bulleted list, 4th bullet: Pentachlorophenol (PCP) and petroleum-contaminated soils will be treated in separate land treatment units (LTUs) and only the PCP-contaminated soils will be treated in an onsite RCRA LTU.

2. Section 2.1, bulleted list, 6th bullet: Chemical oxidation is the selected remedy for the PCP and dioxin/furans-contaminated groundwater, but not for petroleum hydrocarbons.

DEQ also noted that the holding time was exceeded for the PCP groundwater samples (see Table 7). While a holding time exceedance often indicates a potential low biased concentration (and is therefore assigned a J-estimated qualifier during validation), as previously noted, the PCP
concentrations detected are similar to those seen previously for the same wells. However, DEQ noted that the data validation reports included in the document do not follow standard data validation procedures. Specifically, non-standard qualifiers were assigned to the data to flag specific quality control issues (H for hold time exceedance, M% for MS/MSD percent recoveries outside QC limits, etc.) with no explanation provided as to how those QA/QC issues impact the useability and validity of the data. DEQ would typically require revision of the data validation report to provide more explanation and detail about the usability and validity of the qualified data. However, because the ESA was not conducted as a DEQ requirement, DEQ will not require revision and resubmittal of the document, but wants to note that additional evaluation of the data may be necessary if the City of Kalispell plans to use it for critical decision-making.

Finally, Section 11.0 of the report recommends that any party acquiring the Knife River property obtain indemnification from DEQ for the KRY Site and indicates that “[s]uch indemnification was provided in the past by the DEQ to McElroy & Wilken.” DEQ did not enter into an indemnification agreement with McElroy & Wilken and does not enter into such agreements on CECRA facilities. Rather, McElroy & Wilken, Inc. conducted an investigation and established a limited subsurface migration exclusion for a portion of its property. This is entirely different than an indemnification agreement and the report, as written, is inaccurate.

If you have any questions or comments, please feel free to contact me at mbucy@mt.gov or at (406) 841-5064.

Sincerely,

Moriah Bucy
Project Officer

cc: Adam Johnson, AMEC Geomatrix, Inc., 1001 South Higgins Ave., Bldg. B-1, Missoula, MT 59801
    Stephanie Metz, U.S. EPA Region 8 (EPR-B), 1595 Wynkoop St., Denver, CO 80202-1129
    Cynthia Brooks, DEQ Legal
December 16, 2011

Via Email and U.S. Mail

Kellie Danielson  
Montana West Economic Development Corporation  
314 Main Street  
Kalispell, MT 59901

Subject: Knife River Gravel Pit Property in Kalispell, Montana

Dear Kellie:

Thank you for your email dated December 13, 2011, following up on the Montana Department of Environmental Quality (DEQ) letter dated December 12, 2011. As you know, the northeastern portion of the Knife River property falls within the boundary of the KRY Site, a group of three Comprehensive Environmental Cleanup and Responsibility Act (CECRA) facilities.

During the conversation you reference in your email, one of the things we discussed was the liability for cleanup of the KRY Site. DEQ explained that the KRY Site was the subject of litigation between DEQ and BNSF Railway Company and other parties, that DEQ had settled with all of the parties except for BNSF, and that a trial judge in Helena had found BNSF jointly and severally liable for the cleanup. We also explained that the trial judgment had been appealed to the Montana Supreme Court and affirmed. Therefore, the KRY Site is being remediated pursuant to a judicial abatement order under the authority of the CECRA program, and that remediation work is being conducted by BNSF (with some financial contribution from two other liable parties).

As you note in your email, DEQ cannot guarantee that a purchaser of the Knife River property would not incur liability for the KRY Site. For example, we discussed the potential liability that may incur if the owner of the Knife River property were to install high production wells on the property that expanded the KRY Site groundwater plume. However, at this time, DEQ is working with BNSF to conduct the cleanup consistent with the Record of Decision for the site.

Please feel free to contact me if you have any questions. I can be reached at 406-841-5064 or via email at mbucyv@mt.gov.

Sincerely,

Moriah Bucy  
Environmental Specialist

cc: Cynthia Brooks, DEQ Legal
December 20, 2011

Project No. MT10160050

Ms. Moriah Bucy
Project Officer
Montana DEQ
P.O. Box 200901
Helena, Montana 59620-0901

Subject: Phase II Environmental Site Assessment
Knife River Property, Kalispell, Montana

Dear Moriah:

The purpose of this letter is to address comments that DEQ provided in a December 12, 2011 letter regarding the above-mentioned document. Responses to each comment are provided below.

Comments #1 and #2

The Phase II ESA report contains the following statement as a bullet item (4th bullet in Section 2.1) relating to the KRY CECRA Facility remedy: "PCP-and petroleum hydrocarbon-contaminated soil treatment [will occur] in an onsite RCRA land treatment unit." Your letter indicates that the correct statement should be as follows: "PCP-and petroleum hydrocarbon-contaminated soils will be treated in separate land treatment units and only the PCP-contaminated soils will be treated in an onsite RCRA land treatment unit."

The Phase II ESA report contains the following statement as a bullet item (6th bullet in Section 2.1) relating to the KRY CECRA Facility remedy: "Chemical oxidation of the groundwater plume (PCP, dioxins/furans, and petroleum hydrocarbons) [will occur]." Your letter indicates that the correct statement should be as follows: "Chemical oxidation is the selected remedy for the PCP and dioxin/furan-contaminated groundwater, but not for petroleum hydrocarbons."

The DEQ corrections clarify the descriptions of the remedies that will be implemented at the KRY Facility. The DEQ comments have been noted.

Unnumbered Comment Re: Data Validation

DEQ noted in the letter that the data validation reports were missing information regarding how qualifiers assigned to selected analytical results (e.g., those with holding time exceedances) impacted the validity of the data. For PCP in groundwater, the standard holding time for sample preparation/extraction is seven (7) days. For five of the PCP samples collected on September 16, 2011 (well 102B, well 107B, well 111B, ERB, and waste (drum water)) the time between sample collection and extraction was eight days. The original table had indicated that all 10 groundwater samples exceeded the 7 day holding time. A corrected Table 7 is attached that should take the place of the current Table 7 in the report. We apologize for the confusion and inconvenience. The holding time
exceedances indicate a potential low bias. Actual concentrations reported for PCP could be slightly higher than shown in the lab report.

We do not believe that a one day holding time exceedance resulted in statistically significant errors with regard to sample concentrations, or that the exceedance impacted the conclusions made from the data. Upon review of analytical reports for groundwater data presented in Table 7 of the Phase II ESA report, and as mentioned by DEQ in the letter, concentrations detected for these wells were similar and consistent with previous results. In addition, the air space of all sample containers had a measured temperature below the EPA preferred temperature of < 6 °C, indicating that the samples remained cold up until the time of sample extraction, thus minimizing the loss of PCP through volatilization. The holding time exceedance is worthy of note in the validation of the data, but it does not alter the overall conclusions or recommendations made by AMEC with respect to groundwater on the eastern portion of the Knife River property (Section 10.2 of the Phase II ESA report).

Unnumbered Comment Re: Indemnification

As indicated in the December 12, 2011 letter, the DEQ does not enter into indemnification agreements. It appears we were in error with respect to nomenclature. On September 27, 2002, McElroy and Wilken, Inc. obtained an “exclusion to liability” under Section 75-10-715(7) of the Montana Code Annotated (MCA) because contamination had come to be present on the McElroy and Wilken property as a result of subsurface migration from upgradient sources. We recommend the new owners of the property request from DEQ an exclusion to liability under this same law.

We hope this clarifies some of the issues brought up in the December 12, 2011 letter. If you have any questions, please do not hesitate to contact us.

Sincerely yours,

Adam N. Johnson
Project Hydrogeologist

Chris Cerquone
Senior Environmental Scientist

cc: Katharine Thompson, City of Kalispell
Stephanie Metz, U.S. EPA Region 8
Cynthia Brooks, DEQ Legal
Kellie Danielson, FCEDA
Alrick Hale, Knife River Corporation
Table 7. Groundwater Analytical Results - PCP and Dioxins
Knife River Property, Kalispell Montana

<table>
<thead>
<tr>
<th>Sample</th>
<th>DEQ-7 Standard</th>
<th>Analytical Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KRY 102 A</td>
<td>KRY 102 B</td>
</tr>
<tr>
<td>Time Collected</td>
<td>---</td>
<td>1415</td>
</tr>
<tr>
<td>PCP</td>
<td>1.0</td>
<td>&lt;0.030</td>
</tr>
<tr>
<td>Dioxins</td>
<td>20/56</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Notes:
- Percent bleedthrough (PCP) results are in mg/L. Dioxin results are in picograms per liter (pg/L).
- ERB = Equipment Rinse Blank, DUP = Field Duplicate Sample
- DEQ-7 = Circular DEQ-7: Numeric Groundwater Quality Standards, Montana Department of Environmental Quality, August 2010
- Dioxins - Dioxins nd Furans: Based on Toxic Equivalency Factors per World Health Organization Guidance
- N/A = Not applicable
- a = Cleanup Level within KRY Facility Boundary n 5.6 pg/L
- Purge water sample was collected from contuminate purge, wash, and rinse water after groundwater sampling was complete.
- J - estimated concentration above the adjusted method detection limit and below the adjusted reporting limit
- H - hold time exceeded
Roger,

Thanks for letting me know the status of the well and providing a copy of the well abandonment log for my files. As a clarification, we discussed when this well was last sampled and potential problems that may result should the high-capacity well continue to be used. However, I do not recall recommending that you abandon the well.

Thanks again,

Moriah

From: Roger Noble [mailto:roger@appliedwater.net]
Sent: Thursday, January 12, 2012 3:15 PM
To: Bucy, Moriah
Cc: 'Kellie Danielson, CECD'
Subject: Knife River Property - Former McElroy and Wilken Gravel Pit

'Moriah,

Per your recommendation, we have plugged and abandoned the high-capacity industrial supply well along the northern margin of the Knife River Property that is adjacent to the KRY CECRA site. I have attached a copy of the abandonment log for your files. Below is a summary of our findings and procedures.

A high-capacity well is located adjacent to the KRY CECRA site boundary (GWIC ID #140533). The well is completed in the alluvial aquifer. The well was used to rapidly fill water trucks for dust suppression and other industrial needs. The well is equipped with a Goulds model 300-10L submersible pump. This pump is capable of producing 300 gallons per minute with the 10 horsepower motor.

Miles Erickson, a licensed Montana Well Driller (License No. WWC 384) was retained by KRC to permanently abandon the well in conformance with Montana Board of Water Well Contractor standards. The drop pipe and submersible pump were removed on December 14, 2011. The well was sounded and determined to be 42 feet deep with a static water level of 20.5 feet below the top of casing. The well casing was then filled with granular bentonite chips from the bottom to the surface. A steel cap was welded on below grade.

Regards,

Roger Noble
NOTICE >> This well abandons GWIC Id 140533.  << NOTICE

Section 1: Well Owner
Owner Name
MCELROY & WILKEN SAND & GRAVEL
Mailing Address
WHITEFISH STAGE
City KALISPELL State MT Zip Code 59901

Section 2: Location
Township 28N Range 21W Section 8 Quarter Sections NE¼ SE¼ NW¼ NW¼ Gaocode
County FLATHEAD
Latitude 48.209351 Longitude 114.305663
Ground Surface Altitude

Section 3: Proposed Use of Water
UNKNOWN (1)

Section 4: Type of Work
Drilling Method: UNKNOWN

Section 5: Well Completion Date
Date well completed: Thursday, August 11, 1983

Section 6: Wall Construction Details
There are no borehole dimensions assigned to this well.
Casing

<table>
<thead>
<tr>
<th>Wall</th>
<th>Pressure</th>
</tr>
</thead>
<tbody>
<tr>
<td>From</td>
<td>To</td>
</tr>
<tr>
<td>1</td>
<td>10</td>
</tr>
</tbody>
</table>

There are no completion records assigned to this well.
Annular Space (Seal/Grout/Packer)

There are no annular space records assigned to this well.

Section 7: Well Test Data
Total Depth: 42
Static Water Level: 20.4
Water Temperature:

* During the well test the discharge rate shall be as uniform as possible. This rate may or may not be the sustainable yield of the well. Sustainable yield does not include the reservoir of the well casing.

Section 8: Remarks
THIS WELL WAS ORIGINALLY LOGGED UNDER GWIC ID: 140533.
PUMP EQUIPMENT AND DROP PIPE WAS REMOVED. WELL WAS FILLED WITH BENTONITE CHIPS FROM BOTTOM TO SURFACE AND CAP WAS WELDED ON BELOW GRADE.

Section 9: Well Log
Geologic Source
Unassigned
Lithology Data

There are no lithologic details assigned to this well.
Driller Certification
All work performed and reported in this well log is in compliance with the Montana well construction standards. This report is true to the best of my knowledge.

Name: MILES ERICKSON
Company: MWC/VIKING PUMP
License No: WWC-586
Date Completed: 8/11/1983