

March 18, 2014

VIA FIRST CLASS U.S. MAIL AND E-MAIL

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Re: *United States v. Lake Michigan Trans-Lake Shortcut, Inc., d/b/a Lake Michigan Carferry Service and S.S. Badger*, No. 1:13-cv-317, DOJ Case No. 90-5-1-1-10771 (W.D. Mich.)

Dear Sir or Madam:

As a courtesy, I am writing to provide you with an update to the schedule we provided to you on May 29, 2013. As you know, the schedule was provided in accordance with Paragraph 30 of the Consent Decree in the above captioned proceeding. The dates outlined in that schedule were provided to give you the timeline we expected to follow for phases of work necessary to meet the obligation under the Consent Decree of eliminating coal ash discharges before start of the 2015 Operating Season. As noted in my May 29, 2013 letter, those interim dates were not fixed, and it was possible they would change without impacting the Consent Decree requirement that Lake Michigan Carferry ("LMC") cease discharging coal ash prior to the beginning of the 2015 Operating Season. The purpose of this letter is to let you know that the planned estimated date for approval of all of the combustion control and coal ash retention system components by the U.S. Coast Guard and American Bureau of Shipping is likely to slip, though, as explained below, we have already received some interim approvals. LMC does not expect this will impact



its ability to meet the ultimate, enforceable deadline of eliminating coal ash discharges on or before the start of the 2015 Operating Season.

As you might imagine, and as we expected, incorporating modern combustion control and ash retention technology into the Badger's vintage equipment presents inherent challenges. We have found that the development, construction, and integration of these new systems (many of which have been designed and engineered specifically for the Badger) requires a dynamic, ongoing engineering process that is constantly evolving. We have learned that the only way to do this right is to develop and integrate the systems in phases, because the latter phases must often be modified based on how the prior ones are installed and configured. At the same time, we have already prepared preliminary designs for those latter phases. But the nature of this process requires us to submit engineering plans for each component sequentially to account for any adjustments that must be made to our designs for subsequent components based on installation of prior ones. The need to follow this sequential process has delayed some of our submissions and therefore impacts the design approval process.

We want to assure you that we are still on schedule to have the new combustion control system installed and operational prior to our first Operating Day in 2014. Likewise, in accordance with the Consent Decree, we are confident that the ash retention system will also be installed and operational such that the Badger will no longer be discharging coal ash once the 2015 Operating Season begins.

We understand you have received inquiries regarding some of these matters from interested third parties and we respect their good faith interest in and support for our plans. However, this is our off-season when both human and economic resources are stretched thin. Responding to third-party inquiries, when the information previously provided is reasonably self-explanatory, diverts resources which could otherwise be used to further our efforts to eliminate coal ash discharges from the Badger. We know EPA is sensitive to this, and hope that when third parties inquire, you will pass along these concerns.

Please feel free to contact me if you have any questions or concerns.

Very truly yours,

A handwritten signature in blue ink that reads "Charles R. Leonard". The signature is written in a cursive, flowing style.

Charles R. Leonard
Vice-President, Navigation
Lake Michigan Carferry Service