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May 5, 2006

Sean L. Robbins, Esquire
Office of Chief Counsel
Department of Environmental Protection
Northeast Regional Office
2 Public Square
Wilkes-Barre, PA 18711-0790

**RE: Stillwater Sewer Corporation**

Dear Mr. Robbins:

As you will recall, I represent Stillwater Sewer Corporation ("Stillwater"). At our last meeting on April 14, 2006, you had asked that Stillwater provide DEP with an update of its efforts to remediate its sewer system. This letter will serve as that update.

By way of background, Stillwater undertook to remediate its sewer system in the beginning of this decade. It engaged the services of RKR Hess and Associates ("RKR") to perform studies of the sewer system and to design both an upgrade of the sewer treatment plant and to a plan to remediate I/I in Stillwater's sewer lines. Stillwater applied for, was granted, and is now paying on a $1,500,000.00 PennVest loan, for the sewer system remediation plan designed by RKR.

As you also know, the plan designed by RKR to remediate I/I in the sewer lines was ultimately completely unsuccessful. I/I continues to be a major problem in the Stillwater sewer system. In fact, prior to, during, and after the RKR I/I remediation project, I/I plagues the sewer system. While not directly relevant to the DEP's enforcement action, it is important to remember that Stillwater has commenced a lawsuit against RKR alleging professional malpractice, negligence, and breach of contract. Discovery has commenced, with Interrogatories exchanged and depositions scheduled. As we discussed, Stillwater views monies it would recover from RKR to be a source of funds to remediate the I/I problems.

As I explained at our meeting, Stillwater has engaged the services of Herbert, Rowland & Grubic ("HRG") as engineers to come up with a plan to remediate the sewer system. HRG has conducted various testing and performed various studies of the sewer system over the last year. As you will recall, the start of this testing was delayed until the fall of 2005, when sufficient wet

weather allowed HRG to properly perform its testing. This was particularly important, because Stillwater believes that previous improper testing during dry weather in connection with its earlier attempt to remediate the sewer system is at least partially to blame for why Stillwater is in predicament that it is. (HRG has also been retained as Stillwater's expert witness in the lawsuit against RKR). Enclosed please find the wet weather studies performed by HRG, as you requested. A copy of HRG's I/I flow test summary is attached.

The following is the Stillwater Lakes I/I Rehabilitation Project Summary, prepared by HRG:

> The Corporation had an Infiltration/inflow Rehabilitation project performed on part of their collection system within the past 6 years that was designed to remove the excess flows as well increase the size of the sewage treatment plant.
>
> HRG performed additional flow testing of the sewer collection system during worst case conditions: Groundwater levels and rain events were monitored and testing was limited to those periods when the infiltration into the lines could be thoroughly documented. Previous studies did not insure that worst case conditions (those most conducive to infiltration) were undertaken.
>
> The I/I flow studies indicated that in worst case conditions, instantaneous flows into the lines in excess of a rate of 500,000 gpd were observed. HRG was unable to determine total flows to the treatment plant as at the high rates seen the collection system surcharged and flowed from two manholes prior to the pump station. A review of the depths of the collection system from design drawings and correlation with local groundwater depths indicated that in normal and wet weather conditions a significant portion of the collection system would be below the normal height of the groundwater in the Stillwater Lakes area. Only in drought conditions when the groundwater levels were depressed would the collection lines not be submerged. Previous flow studies were performed during drought conditions and based on the current excess flows to the treatment plant, the studies did not account for all potential conditions.
>
> HRG, upon evaluation of the data, has concluded that due to the submerged portion of the collection system, a water-tight gravity collection system could not be attained over the life cycle for the collection piping. Therefore, HRG has proposed replacement of the gravity collection system with a low pressure collection system utilizing grinder pumps and small bore pressurized discharge piping. Estimated costs for three construction alternatives for placement of a low pressure sewer system were determined. They are as follows:
>
> Alternate #1 - New Low Pressure System (Open Cut): Estimated Cost $7,500,000
> Alternate #2 - New Low Pressure System (Horizontal Direct Drilling): Estimated Cost $7,000,000
> Alternate #3 - New Low Pressure System (Placement w/in existing Gravity Sewer System): Estimated Cost $7,800,000

A breakdown of the anticipated costs is attached.

HRG projects that it will take a minimum of two years to finalize design, receive financing and approvals and construct the rehabilitation design. A preliminary schedule for this project is:

**Month 1** – Complete I/I Study Report – 2 weeks

**Months 1 & 2** – Investigate financing options – 8 weeks

**Months 2-4** – Survey & develop construction documents for submittal to funding agency and PADEP – 12 weeks

**Months 5-7** - Funding and regulatory approvals – 90 days

**Month 7** – Finalize contract bid documents per funding requirements

**Month 8** – Put project out to bid – 30 days

**Month 9** – Receive & review bids/select qualified contractor/award bid – 2 weeks

**Month 9** – Receive & approve contractor submittals - 2 weeks

**Month 10** – Notice to Proceed

**Months 10-24** - Construction period

**Month 24** – Contract close-out

It is important for DEP to remember that, given the debt burden that Stillwater is already saddled with from the PennVest loan connected with the first failed sewer upgrade, Stillwater is in a precarious financial position and, correspondingly, in absolutely no position to pay for the repairs to the sewer system set forth above. Stillwater needs a partner in order to proceed. Without a partner, Stillwater could not proceed with the plan devised by HRG. As such, any resources or support that DEP could lend towards identifying and/or negotiating with a partner would be greatly appreciated. In fact, the level of DEP involvement in helping Stillwater secure a partner will be inversely proportional to the level of success of this project.

Two potential partners have been identified and negotiations with each continue.

First, Stillwater is bordered by land owned by the Pocono Mountain Industrial Park Authority ("PMIPA"). PMIPA has informed Stillwater that they are in need of sewer capacity in order to build out the industrial park that they are developing in partnership with Arcadia. PMIPA has secured state funds in order to make various infrastructure upgrades to the industrial park, including the acquisition of sewer capacity. As things stand now, with the current I/I problems,

Stillwater has no excess sewer capacity. Were Stillwater's I/I problems rectified, and allowing for build out of undeveloped buildable lots in Stillwater Lakes Civic Association, Stillwater would have approximately 65,000 to 135,000 gallons per day (gpd) of excess capacity that it could offer to PMIPA.[1] PMIPA has indicated that it is highly interested in purchasing any and all excess capacity that Stillwater could provide. It has also expressed an interest in purchasing the Stillwater sewer system outright. Stillwater is open to both options. Currently, a draft agreement is in the hands of PMIPA's board of directors. The agreement would, initially, commission the creation of new sewer planning modules and the submission thereof to DEP for Act 537 Plan Amendment approval. The agreement would require PMIPA to bear the costs associated therewith. Conditioned upon Act 537 Plan Amendment approval, Stillwater and PMIPA would then enter into a second agreement for either Stillwater to sell its future excess capacity to PMIPA (in exchange for up front money to apply to remediation costs that would generate the excess capacity)[2] or to sell the sewer system as is outright to PMIPA. As we discussed at our last meeting, and as you agreed, this plan seems to be a "win-win" for everyone involved.

Stillwater has also had meetings with Aqua America ("Aqua") about selling its sewer system. Currently, Stillwater is gathering various due diligence documents to send to Aqua. Thereafter, Stillwater and Aqua will continue to negotiate.

Thank you for your continued patience as Stillwater attempts to find a solution to this difficult and expensive problem. This will confirm that Stillwater intends to begin preliminary negotiation of a CO&A with DEP. Could you please forward to me a draft CO&A for me to comment on.

If you have any questions or concerns, please do not hesitate to contact me at any time. Thank you.

Sincerely,

ANDREW H. RALSTON, JR.

Enclosures
cc: Board of Directors,
Stillwater Sewer Corporation
Chuck Wunz, P.E.
Brian Clark, Esquire

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[1] Stillwater will also consider the option of attempting to generate even further excess sewer capacity, if possible and if approved by DEP, by modifying and improving the sand filter at the sewerage treatment plant and/or obtaining a paper re-rate of the system.

[2] Stillwater has explored the possibility of selling the future capacity at a discounted rate, in exchange for additional up front money to defray the costs of remediation which, again, Stillwater does not have.

# STILLWATER LAKES ESTATES INFILTRATION / INFLOW FLOW TEST SUMMARY

| Manhole | Pipe | Leg Flow Length (ln) | Allowable I/I (gpm) | Allowable I/I (gpd) | 7/15/2005 | | 9/2/2005 | | 10/10/2005 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | I/I (gpm) | I/I (gpd) | I/I (gpm) | I/I (gpd) | I/I (gpm) | I/I (gpd) |
| 4 | Southeast Branch | 11,391<br>28,975 | 1.50<br>3.05 | 2,157<br>4,390 | Obstructions | | Obstructions | | Surcharged | |
| 6 | South Branch | 2,629<br>1,583 | 0.35<br>0.17 | 498<br>240 | | | 224.00 | 322,560 | Surcharged | |
| | East Branch | 8,159<br>27,392 | 1.07<br>2.88 | 1,545<br>4,150<br>0 | 8.00 | 11,520 | | | | |
| 26 | North Branch | 4,461<br>27,172 | 0.59<br>2.86 | 845<br>4,117 | | | 1.00 | 1,440 | 375.00 | 540,000 |
| | East Branch | 3,108<br>0 | 0.41<br>0.00 | 589<br>0 | 190.00 | 273,600 | 62.00 | 89,280 | Surcharged | |
| 40 | Northeast Branch | 3,179<br>22,821 | 0.42<br>2.40 | 602<br>3,458 | 290.00 | 417,600 | | | 4.50 | 6,480 |
| | Southeast Branch | 0<br>4,351 | 0.00<br>0.46 | 0<br>659 | 74.00 | 106,560 | | | 320.00 | 460,800 |
| 108 | Southeast Branch | 1,589 | 0.21 | 301 | 0.00 | 0 | 0.25 | 360 | 9.00 | 12,960 |
| | Northeast Branch | 4,446 | 0.47 | 674 | 20.00 | 28,800 | 8.50 | 12,240 | 10.00 | 14,400 |
| 118 | Northeast Branch | 1,069 | 0.14 | 202 | 0.00 | 0 | | | 0.00 | 0 |
| | Southwest Branch | 1,518 | 0.16 | 230 | 0.00 | 0 | | | 5.00 | 7,200 |
| | Southeast Branch | 935 | 0.10 | 142 | 1.50 | 2,160 | | | 5.00 | 7,200 |
| 91 | North Branch | 752 | 0.08 | 114 | 0.00 | 0 | | | 0.25 | 360 |
| | East Branch | 1,023 | 0.11 | 155 | 0.50 | 720 | | | | |
| 54 | Northeast Branch | 3,894 | 0.41 | 590 | 1.00 | 1,440 | | | 3.50 | 5,040 |
| | Northwest Branch | 4,672 | 0.49 | 708 | 1.00 | 1,440 | | | | |
| 150 | Northwest Branch | 2,086 | 0.22 | 316 | 0.50 | 720 | | | 0.00 | 0 |
| | Southwest Branch | 1,257 | 0.13 | 190 | 2.50 | 3,600 | | | 0.00 | 0 |

# OPINION OF PROBABLE CONSTRUCTION COSTS

## STILLWATER
## ALTERNATE #3 - NEW LOW PRESSURE SYSTEM
## (UTILIZING EXISTING GRAVITY SEWER SYSTEM)

| ITEM NO. | DESCRIPTION | ESTIMATED QUANTITY | UNIT | UNIT PRICE | EXTENSION |
|---|---|---|---|---|---|
| **GENERAL** | | | | | |
| 1 | MOBILIZATION | 1 | L.S. | $500,376.66 | $500,376.66 |
| 2 | TRAFFIC MAINTENANCE & PROTECTION | 1 | L.S. | $178,705.95 | $178,705.95 |
| **LOW PRESSURE SEWER** | | | | | |
| 3A | LOW PRESSURE SEWER - WITHIN EXISTING GRAVITY SEWER LINE | 40,648 | L.F. | $41.00 | $1,666,568.00 |
| 3B | LOW PRESSURE SEWER - LAWNS | 0 | L.F. | $35.00 | $0.00 |
| 3B | LOW PRESSURE SEWER - PRIVATE PAVEMENT | 0 | L.F. | $48.00 | $0.00 |
| 3C | LOW PRESSURE SEWER - MUNICIPAL PAVEMENT | 0 | L.F. | $55.00 | $0.00 |
| 3D | LOW PRESSURE SEWER - PENNDOT PAVEMENT | 0 | L.F. | $75.00 | $0.00 |
| **LOW PRESSURE LATERAL (open cut)** | | | | | |
| 4A | PRESSURE LATERAL - LAWNS | 17,220 | L.F. | $27.00 | $464,940.00 |
| 4B | PRESSURE LATERAL - PRIVATE PAVEMENT | 10,322 | L.F. | $40.00 | $412,880.00 |
| 4C | PRESSURE LATERAL - MUNICIPAL PAVEMENT | 0 | L.F. | $45.00 | $0.00 |
| 4D | PRESSURE LATERAL - PENNDOT PAVEMENT | 0 | L.F. | $67.00 | $0.00 |
| 4E | CONNECTION OF PRESSURE LATERAL TO PRESSURE MAIN WITHIN EX. GRAVITY SEWER PIPING | 574 | EA. | $275.00 | $157,850.00 |
| **STREAM CROSSINGS** | | | | | |
| 6 | STREAM CROSSING | 100 | L.F. | $175.00 | $17,500.00 |
| **HIGHWAY CROSSING** | | | | | |
| 7 | HIGHWAY CROSSING - W/CASING | 0 | L.F. | $225.00 | $0.00 |
| **RAILROAD CROSSING** | | | | | |
| 8 | RAILROAD CROSSING - W/CASING | 0 | L.F. | $300.00 | $0.00 |
| **LOW PRESSURE SEWER APPURTENANCES** | | | | | |
| 9 | SIMPLEX GRINDER PUMP STATION | 574 | EA. | $7,500.00 | $4,305,000.00 |
| 10 | DUPLEX GRINDER PUMP STATION | 0 | EA. | $8,500.00 | $0.00 |
| 11 | PROCURE SPARE SIMPLEX GRINDER | 10 | EA. | $5,500.00 | $55,000.00 |
| 12 | EXISTING MH COMBINATION AIR VALVE | 31 | EA. | $1,000.00 | $31,000.00 |
| 13 | EXISTING MANHOLE FLUSHING STATION | 25 | EA. | $800.00 | $20,000.00 |
| 16 | CONNECTION TO EXISTING MANHOLE | 2 | EA. | $1,250.00 | $2,500.00 |
| **MISCELLANEOUS** | | | | | |
| 17 | ABANDON EXISTING MANHOLES | 0 | EA. | $500.00 | $0.00 |
| 18 | ABANDON EXISTING SEWER LATERAL | 0 | EA. | $250.00 | $0.00 |
| 19 | MANHOLE REHABILITATION | 0 | EA. | $1,500.00 | $0.00 |
| 19 | SPECIAL STONE BACKFILL | 50 | C.Y. | $50.00 | $2,500.00 |
| 20 | CONCRETE ENCASEMENT | 100 | L.F. | $125.00 | $12,500.00 |
| | | | | TOTAL BID | $7,827,320.61 |

Assumptions:

1. Connections only to existing 574 homes, new construction will be responsible for own grinder installation
2. Low pressure force mains installed for entire existing sewered area
3. Lateral install @ average of 30'