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February 8, 2010

Via Federal Express

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Received

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Ms. Barbara Brown
Project Coordinator
Maryland Department of the Environment
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Re: Consent Decree in the Matter of U.S. and The State of Maryland, Maryland Department of the Environment v. Bethlehem Steel Corporation, Civil Nos. JFM-97-559 and JFM-97-558; Regarding January 8, 2010 Decision to Require Interim Measures – NOTICE OF DISPUTE RESOLUTION

Dear Mr. Fan and Ms. Brown:

On behalf of Severstal Sparrows Point LLC (“Severstal Sparrows”), we are responding to Horacio Tablada’s letter to Russell Becker of Severstal Sparrows, dated January 8, 2010 (the “MDE Letter”), requiring eleven interim measures at the Sparrows Point Facility (the “Facility”) and an Interim Measures Workplan (the “Workplan”).

Severstal Sparrows believes that many of the items in the MDE Letter are more appropriately solicited as comments to a compliance requirement (Section VII) of the Consent Decree from the Maryland Department of the Environment (“MDE”) than as interim measures, and will work with MDE to provide appropriate responses to each of the items in the MDE Letter. As explained more fully below, Severstal Sparrows believes that requiring these items in the context of “interim measures” under the Consent Decree is inappropriate and Severstal Sparrows wants to ensure that an adverse precedent is not established. Accordingly, this letter also serves as timely written notice of dispute in accordance with Section XX of the above-referenced Consent Decree.

As you know, Severstal Sparrows is already working with both U.S. EPA and MDE (collectively, the “Agencies”) on completing the “interim measures” as envisioned by the Consent Decree, such as the interim measures that are currently being conducted at Coke Oven Area at the Facility. Additionally, Severstal Sparrows is willing to discuss implementation of certain of the items

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requested in Mr. Tablada's letter as additions to the Landfill Compliance Plan for Coke Point Landfill, which is still awaiting approval by the Agencies.

However, in order to preserve any arguments and prevent any waiver or adverse precedent, Severstal Sparrows submits this notice in order to trigger the informal dispute resolution period, pursuant to Section XX of the Consent Decree. Accordingly, Severstal Sparrows requests a meeting with representatives of U.S. EPA and MDE at the earliest convenience to discuss and negotiate resolution of the issues identified below.

In accordance with the requirements of Section XX of the Consent Decree, the nature of Severstal Sparrows's disputed issues and the Company's position are identified below: The discussion below also serves to describe Severstal's proposed responses or actions when treating the MDE Letter as an information request or as Agency comments to an existing compliance requirement (Section VII) of the Consent Decree.

Preliminary General Objections

Severstal Sparrows generally objects to the Interim Measures numbered 1 through 11 in the MDE Letter, as they are requirements not contemplated by Section V.A. of the Consent Decree. Section V.A.4. of the Consent Decree states that U.S EPA and/or MDE require interim measures only when the Agencies have a reasonable basis to believe that "a release from the Facility poses a threat to human health or the environment requir[es] action prior to the development and implementation of a final remedy." However, the MDE Letter does not assert, let alone establish, that there is a reasonable basis for a release that is threatening human health or the environment that requires action prior to a final remedy, which must be established in order to invoke the interim measures under Section V.A. of the Consent Decree. Severstal Sparrows denies that any such threat currently exists from the Coke Point Landfill. Further, the majority of the requirements numbered 1 through 11 in the MDE Letter (*e.g.*, a map) are inappropriately characterized as interim measures, as they are not actions designed to protect human health or the environment from a release.

Severstal Sparrows also objects to all the deadlines and the stipulated penalties that are connected with deadlines that are set forth in the January 8, 2010 letter because they are arbitrary and capricious. The deadlines are impossible to meet, since MDE and local Natural Resources Conservation District approval of plans need to be obtained before any work can begin. Further, Severstal Sparrows generally objects to the interim measures to the extent that these arbitrary deadlines would subject Severstal Sparrows to stipulated penalties under the Consent Decree. It is arbitrary and capricious to require stipulated penalties for failure to meet deadlines that are impossible, such as those that are not tied to Agency prior approval of plans when such approval is a necessary prerequisite.

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Finally, Severstal Sparrows generally objects to anything in the January 8, 2010 letter that is outside the scope of RCRA and the Consent Decree. Specifically, the letter alleges deficiencies with the implementation of Severstal Sparrows's Stormwater Pollution Prevention Plan ("SWPPP"). The SWPPP is outside the scope of both RCRA and the Consent Decree. It is inappropriate to include such a requirement as part of interim measures under the Consent Decree. Further, Severstal Sparrows has responded to this issue raised by MDE in a separate letter to Mr. Edwal Stone, dated January 27, 2010.

Specific Responses

1. Provide a map that delineates the actual footprint of Coke Point Landfill

Pursuant to Section VII.C of the Consent Decree, the Facility's prior owners submitted an engineering study that included delineation of the horizontal extent of Coke Point Landfill. As part of the ongoing engineering design of the facility, Drawing C-002 was developed and submitted to the Agencies that represents a valid delineation of the horizontal boundary line of the Coke Point Landfill. If MDE has any specific questions with regard to this map, Severstal Sparrows will discuss and provide an updated map, if necessary.

2. By June 1, 2010, clearly and permanently mark the boundaries of the Coke Point Landfill to prevent unauthorized access and unauthorized disposal as stated in Section VII Compliance Requirement for Coke Point and Greys Landfill Operation of the Consent Decree

As stated in the MDE Letter, this item is already provided for under Section VII of the Consent Decree, and MDE cannot circumvent these Consent Decree provisions by requesting an Interim Measures work plan pursuant to Section V.A.4 of the Consent Decree.. As stated in Section VII of the Consent Decree, this item is to be incorporated into a Landfill Compliance Plan that must be approved by MDE.

A Landfill Compliance Plan for the Coke Point Landfill was submitted in 1998, and is waiting for formal approval. However, Severstal Sparrows is willing to further discuss this item with MDE as part of the Landfill Compliance Plan approval process.

3. Identify areas with unauthorized dumping and characterize the waste material as identified

This item is also part of the Coke Point Landfill Compliance Plan that has been submitted to MDE for approval, and therefore it is not appropriate for an Interim Measures work plan pursuant to

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Section V.A.4 of the Consent Decree. Severstal Sparrows is willing to further discuss this item with MDE as part of the Landfill Compliance Plan approval process.

Moreover, any solid waste from commercial, industrial, construction, demolition and other activities occurring on the grounds of the facility is authorized for disposal at the Coke Point Landfill pursuant to Section VII.C.1.a of the Consent Decree. Severstal Sparrows generally disagrees that there has been potentially unauthorized dumping, but shares MDE's concern that landfill operations could be enhanced.

4. Characterize refractory brick debris observed throughout the landfill area

Severstal Sparrows believes this requirement is unnecessary. Further, Severstal Sparrows denies that this brick constitutes a threat to human health or the environment that could justify a request for an Interim Measures work plan pursuant to Section V.A.4 of the Consent Decree. The majority (if not essentially all) of the refractory brick in the landfill area was either placed as authorized fill that was approved by various local and federal permitting processes in legacy operations dating from the 1950s to the 1970s or was already in place at the time the landfill was designated a solid waste management unit ("SWMU") and also designated a Special Study Area as part of the Site Wide Investigation (SWI) under the Consent Decree. Moreover, SWI efforts encompassing this area are currently proceeding in accordance with the requirements under the Consent Decree. Thus, it is unnecessary to characterize this material outside the scope of what is already contemplated by the corrective measures work contained in the Consent Decree.

Process knowledge indicates that the refractory brick would not be a controlled hazardous waste. However, Severstal Sparrows is willing to further discuss with MDE additional waste determination measures to characterize currently generated refractory brick slated for landfill disposal that would provide supplemental documentation of proper disposal in accordance with State and Federal regulations.

5. Revise the operations manual

This item is not appropriate for an Interim Measures work plan pursuant to Section V.A.4 of the Consent Decree. However, Severstal Sparrows will revise the operations manual as necessary to reflect current landfill operations as required by the Consent Decree.

6. Implement quarterly ground water monitoring beginning January 2010

Severstal Sparrows is willing to discuss with the MDE the need for implementing groundwater monitoring at Coke Point Landfill in accordance with a reasonable, agreed approach. In

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order to implement groundwater monitoring, the following process is contemplated that is similar in nature to activities successfully completed with MDE at Greys Landfill:

- Identify and obtain approval for a groundwater monitoring network for Coke Point Landfill; this process will include completion of a field survey and submission of an existing well table and well location plan that would be contemplated for landfill monitoring;
- Once well locations are agreed upon, install replaced or additional monitoring wells, if necessary, for the landfill groundwater monitoring;
- Implement quarterly groundwater monitoring for at least one year for the landfill groundwater monitoring network.

Severstal Sparrows would like to note that the wells installed as part of the Maryland Port Authority Phase II process are neither located proximate to Coke Point Landfill nor located in an area to monitor upgradient or downgradient groundwater flow from the landfill and, thus, are unlikely to be incorporated into any monitoring network. Severstal Sparrows would like to commence discussions with MDE to implement groundwater monitoring within a reasonable timeframe at Coke Point Landfill. The scope and timing will need to be discussed and agreed-to by Severstal Sparrows and the Agencies.

7. Implement surface run off monitoring for the Coke Point Landfill

No Interim Measures work plan for this item is justified under Sec. V.A.4 of the Consent Decree. Further, Severstal Sparrows believes this request is unnecessary because surface water run off from the Coke Point Landfill is currently managed such that point source outfalls are not present. There are barriers or gravel filter berms already in place to retain surface water run-off from the Landfill on-site, a known best management practice (“BMP”) for stormwater.

Nonetheless, Severstal Sparrows is willing to discuss the need and appropriate timetable for such monitoring.

8. Slope Stabilization

Severstal Sparrows believes this requirement is unnecessary because it has not been shown that there is a threat to stability. Therefore, no Interim Measures work plan for this item is justified under Section V.A.4 of the Consent Decree. Nonetheless, Severstal Sparrows is willing to discuss this item with MDE and also discuss the development of an alternate grading plan as we share the understanding that an alternate landfilling operational plan is appropriate at this time. However,

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Severstal Sparrows notes that any slope stabilization cannot occur until it receives approval of an erosion and sediment and control plan and thus, a different deadline will have to be negotiated than that called for in the MDE Letter. Thus, the current deadline in the MDE Letter is arbitrary and capricious.

The MDE Letter states that the Workplan must include an implementation schedule for regrading slag and other materials along the Coke Point Shoreline. However, the slag and other materials along the shoreline were placed there as authorized fill that was approved by various local and federal permitting processes in legacy operations dating from the 1950s to the 1970s. No Interim Measures work plan for such regrading is justified under Section V.A.4 of the Consent Decree.

Further, Severstal Sparrows feels that it is inappropriate for this request to call for stipulated penalties for failure to meet a deadline for this work. As noted above, Severstal Sparrows would not be able to begin work in any event until the proper MDE and local approvals are received and stipulated penalties are not proper where a specific deadline cannot be established. Thus, these stipulated penalties would be arbitrary and capricious.

9. Permits

This item is not appropriate for an Interim Measures work plan pursuant to Section V.A.4 of the Consent Decree. Severstal Sparrows is committed to obtaining all necessary permits and approvals in advance of completing any work required by the Consent Decree. However, Severstal Sparrows notes that only Agency approvals will be required to complete any work contemplated by the MDE Letter.

10. Provide a detailed schedule for meeting each requirement

Once again, this item is not appropriate for an Interim Measures work plan pursuant to Section V.A.4 of the Consent Decree. Nonetheless, Severstal Sparrows will agree to provide a quarterly update to MDE regarding the progress of the work agreed upon between MDE and Severstal Sparrows pursuant to the scope of this MDE Letter.

However, Severstal Sparrows will not be able to provide a “detailed” schedule for meeting each requirement where the ability to start and complete work for a requirement is based upon Agency approvals of plans. Further, it is inappropriate to call for stipulated penalties for failure to meet the deadlines in the “detailed schedule.” It would be arbitrary and capricious to issue stipulated penalties for deadlines that are impossible to meet because required Agency plan approvals need to be issued prior to commencing the work.

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11. By March 1, 2010, provide a detailed Community Relations Plan

The Community Relations Plan under Attachment A of the Consent Decree is applicable only to interim measures under the Consent Decree. Additionally, because the items listed in Mr. Tablada's letter do not justify nor are appropriate for an Interim Measures work plan under Section V.A.4 of the Consent Decree, then such items also are not subject to the Community Relations Plan requirements under Attachment A.

However, there is already a general Community Relations Plan in accordance with the Consent Decree that was submitted to the Agencies by the previous owners. In addition, since Severstal Sparrows has purchased the Facility, the Company has taken significant efforts to enhance existing community outreach activities, including coordinating periodic community meetings, creating community newsletters, and creating a website (which will be operation in the near future). For example, since the 2008 purchase of the Facility by Severstal Sparrows, public meetings have been held on December 11, 2008, October 22, 2009 and January 28, 2010. Severstal Sparrows believes that these significant efforts meet all the requirements of the October 22, 2008 letter from MDE to Tom Russo, which offered suggestions for enhanced community outreach such as periodic meetings, creating a newsletter and a website.

Severstal Sparrows feels that it is inappropriate for this request to call for stipulated penalties for failure to submit a Community Relations Plan by March 1, 2010 in light of the significant community outreach activities and submittal of a general Community Relations Plan as noted above. Stipulated penalties in such a case would be arbitrary and capricious.

We hope to discuss these issues with you in the very near future and request that we promptly commence scheduling discussions regarding these issues. In the meantime, should you wish to discuss this matter further, please contact us directly.

Very truly yours,



Scott R. Dismukes

CC: *U.S. DOJ, Environment Enforcement Division*
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Martin Szymanski, Esq.
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