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January 13, 2016

Mr. Dennis Faulk
U.S. Environmental Protection Agency
Hanford Project Office
825 Jadwin Ave., Ste 210
Richland, WA 99352

Re: Annual Report for the Rayonier Mill Site Deferral Agreement

Dear Mr. Faulk:

In accordance with Section III of the deferral agreement between the Washington State Department of Ecology (Ecology), the U.S. Environmental Protection Agency, and the Lower Elwha Klallam Tribe (LEKT), I am providing you the annual status report for the Rayonier Mill Site cleanup in Port Angeles, Washington. This report provides a summary of Ecology activities since our last annual report dated November 19, 2014. Even though not a part of the deferral agreement, I have also included information on other Port Angeles Harbor sites for context. Our goal is to provide the annual report in January each year.

Rayonier Study Area (Interim Action Agreed Order)

Upland Portion of Study Area

Ecology approved the public review draft of Volume I on January 3, 2013. The report was posted on the web and copies placed in the repositories. We notified those on our mailing list that the report is available for review. We are not taking public comment on Volume I at this time. We will take public comment when all three volumes are ready for public review.

Marine Portion of Study Area

Ecology approved the public review draft of Volume II on December 4, 2014. Like Volume I, the report is posted on the web, copies placed in the repositories, and those on our mailing list were notified. We are not taking public comment on Volume II at this time. We will take public comment on all three volumes when ready for public review.

Alternatives Evaluation for Study Area

Rayonier submitted the agency review draft of Volume III on February 20, 2015. Ecology and the LEKT reviewed this report, and a draft set of comments was provided to Rayonier. There are a number of issues and concerns that we have been discussing such as the groundwater pathway,

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sediment cleanup levels, and cleanup alternatives for the Study Area. The cleanup alternatives are to anticipate restoration for natural resource damages. The cleanup alternatives presented in this draft did not tie in well with the proposed restoration being discussed by the Port Angeles Harbor Natural Resource Damage Assessment (NRDA) Trustee Council. Now that the proposed restoration is more developed, the next draft of Volume III can present alternatives that anticipate the proposed restoration. We expect the next draft in spring 2016.

Rayonier Mill Off-Property Soil Dioxin Study

Lower prioritization placed finalization of this report and responsiveness summary on hold while initiating work on the Western Port Angeles Harbor Site.

Western Port Angeles Harbor

Ecology named six potentially liable persons (PLPs) for the western harbor contamination in 2012 and another in 2013. Five of the PLPs, including Nippon Paper Industries USA Co. Ltd., Merrill & Ring, Georgia-Pacific LLC, Port of Port Angeles, and City of Port Angeles have formed the Western Port Angeles Harbor Group (WPAHG). WPAHG continues to work cooperatively with Ecology to complete a remedial investigation/feasibility study (RI/FS). The RI/FS report was due in May 2014, but Ecology and WPAHG have mutually agreed that an extension would be beneficial to address several outstanding issues before this report is submitted. The Agreed Order timeline will restart when we reach agreement on the outstanding issues and the RI/FS will be due 90 days later.

North Olympic Peninsula Regional Background

Ecology is responsible for establishing regional background sediment concentrations for the state as a result of the 2013 Sediment Management Standards (SMS, 183-204 WAC) rule revisions. We are undertaking a process to establish North Olympic Peninsula regional background concentrations for selected bioaccumulative chemicals of concern. Samples were not to be collected in Port Angeles Harbor as recent studies have shown the entire harbor to be affected by dioxin/furan contamination from point sources. The SMS rule allows for use of an alternative geographical approach under these conditions.

Under a sampling and analysis plan developed by Ecology, samples were collected in Dungeness Bay, Sequim Bay, Discovery Bay, and Port Townsend Bay during May 2013. After evaluation of the results, the initial draft report was received in October 2013. Initial internal reviews of the draft report and comments received from stakeholders on general regional background issues raised several questions on how regional background values may affect future projects and permits. Ecology paused work on the NOP Regional Background report while these issues were considered.

Two primary concerns were identified. The first were the data results indicating that chemical concentrations in Dungeness Bay were more indicative of the natural background concentrations previously identified for the North Olympic Peninsula. Regional Background values were recalculated without data from Dungeness Bay and a revised report was prepared. Subsequently, a second concern arose in that recent literature linked the concentration of carcinogenic polycyclic aromatic hydrocarbons (cPAHs) to urbanization and industrialization. This concern arose during the development of regional background values for Port Gardner and Bellingham Bay.

Taking the lessons learned during those studies, Ecology reinvestigated the use of cPAH data from within Port Angeles Harbor and identified a number of stations that were outside the influence of point source cPAH contamination. A Port Angeles Harbor specific regional background value for cPAH was calculated and this value will be used for regulatory purposes only within Port Angeles Harbor. Ecology is preparing a revised report at this time for distribution and review and is planning to hold public stakeholder meetings prior to finalizing the report.

Health Consults by State Department of Health

The State Department of Health (DOH) produced two health consults for Port Angeles Harbor. One consult looked at the health effects from contaminants in sediments; and the other looked at health effects from contaminants in tissue. DOH concluded there is no apparent public health hazard with recreational exposures to beach/intertidal surface sediment in Port Angeles Harbor. However, DOH concluded:

- Eating Dungeness crab from Port Angeles Harbor at a Washington State consumption rate (52.5 grams per day) could significantly increase the risk of cancer over a lifetime.
- Eating Dungeness crab from Port Angeles Harbor at a tribal consumption rate (149.4 grams per day) could significantly increase the risk of cancer over a lifetime and result in additional non-cancer health effects, such as kidney damage.
- Eating mussels and coonstripe shrimp (up to 49.8 grams per day) from Port Angeles Harbor is not expected to harm human health based on available chemical data.

These conclusions are consistent with Ecology's risk assessment in the Port Angeles Harbor Characterization Study.

Natural Resource Damage Assessment (NRDA)

The Port Angeles Harbor NRDA trustee council, established in 2012 by Memorandum of Agreement (MOA), includes representatives of Ecology, US Fish and Wildlife, National Oceanic and Atmospheric Administration (NOAA), LEKT, Jamestown S'Klallam Tribe, and Port Gamble S'Klallam Tribe. Ecology serves as the lead administrative trustee. A preassessment screen for the Port Angeles Harbor was completed in August 2013.

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The trustee council also negotiated a funding and participation agreement with Rayonier. Rayonier signed the agreement and three addendums which include partial reimbursement of past interim costs, funding for four phases of work, and a timeline for completing the entire assessment. First phase tasks included evaluating data, gathering habitat data, determining injury levels, injury modeling and service loss analysis, and ranking the restoration project. The second and third phases of work included running models, calculating service loss values, determining habitat impairment, assigning values for restoration projects, and preparing the damage assessment and restoration plan.

These three phases of work are now complete and the trustees are working on phase four tasks, including completing the Damage and Restoration Plan/Environmental Assessment, negotiating a consent decree, submitting documents to Court and obtaining the necessary approvals. The trustee council and legal and technical subcommittees meet monthly to pursue this work.

The WPAHG approached Ecology regarding a MTCA-only NRDA settlement in early 2013, stating the statute of limitation for a CERCLA NRDA has passed and a desire to incorporate restoration with cleanup in a timely fashion. Ecology, along with trustee council, encouraged WPAHG to consider the benefits of working with the full trustee council. The trustees formally invited WPAHG to participate in a cooperative assessment by letter in August 2013 and during a meeting in September 2013. In an effort to show timeliness, the trustee council prepared a proposed estimate of natural resource damages in Port Angeles Harbor in 90 days without a funding agreement, presenting it to WPAHG on April 30, 2014. The trustee council recently sent the Western Port Angeles Harbor PLPs another invitation to discuss NRDA and a draft tolling agreement. The invitation requested a written response to the trustee council by January 11, 2016. As of the date of this letter, no written responses have been received.

Stakeholder/Public Involvement

In addition to the outreach and stakeholder involvement for the studies and activities described above, Ecology continued providing updates on the Rayonier Mill and western harbor cleanup to the Lower Elwha Klallam, Port Gamble S'Klallam, and Jamestown S'Klallam tribes; the City of Port Angeles; and the Port of Port Angeles. We updated the Rayonier Mill website and posted reports. We re-did the Port Angeles Harbor Sediments website to host webpages for reports for sites throughout the harbor. This included launching the Port Angeles NRDA website at http://www.ecy.wa.gov/programs/tcp/sites_brochure/PortAngelesNRDA/index.html.

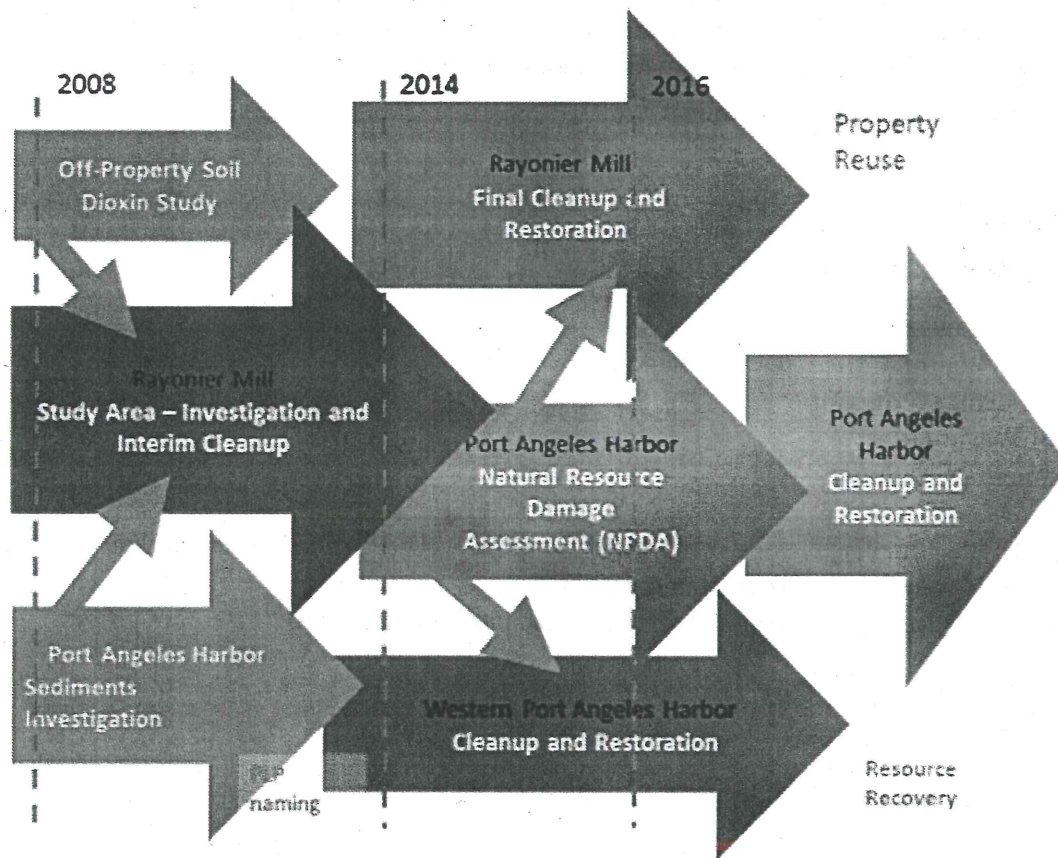
We continue to work with the Olympic Environmental Council (OEC) through their Public Participation Grant. In fall 2014, OEC sponsored a webinar by Dr. deFur in which he compared several cleanup projects including the Rayonier cleanup.

In September, 2016, we presented to legislative and fiscal staff and community leaders on Port Angeles cleanup projects and our partnerships in the community during a legislative Olympic

Peninsula Tour. We also gave the tour attendees an in-depth tour of the former K Ply Mill site cleanup underway at the time.

Project Administration

As we identified in our 2014 annual report, while the deferral agreement pertains to the Rayonier Mill Site, Ecology has identified several other potential sources of contamination to Port Angeles Harbor. Our work will lead to a Rayonier Mill Site definition and the definition of other “site(s)” within Port Angeles Harbor. Ecology is committed to cleaning up all of the sites in the harbor. We also have an interest in settling NRD liability for the entire harbor. Our goal is to dovetail cleanup and restoration, if possible. We continue to follow the Rayonier Mill/Port Angeles Harbor timeline to illustrate our strategy to integrate the various complex elements to get to complete cleanup and restoration of Port Angeles Harbor.



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Proposed Schedule Adjustments

Rayonier continues to provide on time all submittals as scheduled in the agreed order or based on granted extensions.

Rayonier and Ecology continue to work through various issues with the development of cleanup alternatives and coordination with the development of restoration plans. This has shifted the overall schedule as shown in Enclosure A - Port Angeles Rayonier Mill Timeline – 2010 Agreed Order to Plan for Interim Actions (updated January 2016).

With the shift in the timeline for the Alternatives Evaluation report, we believe it will take until spring 2017 to complete the agreed order tasks. As such, Ecology is proposing that the project milestones in the deferral agreement's schedule of events be revised as shown in Enclosure B.

We anticipate holding public meetings in 2016 on the Rayonier Volumes I-III reports, and on Western Harbor RI/FS. We look forward to meeting in person to share more fully the work in Port Angeles Harbor. If you have any questions or concerns, please contact me at rebecca.lawson@ecy.wa.gov or (360) 407-6241.

Sincerely,



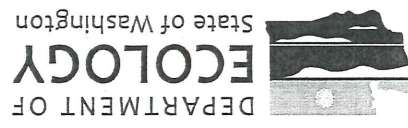
Rebecca S. Lawson, P.E., LHG
Southwest Region Office Section Manager
Toxics Cleanup Program
State of Washington
Department of Ecology

Enclosure A: Port Angeles Rayonier Mill Timeline – 2010 Agreed Order to Plan for Interim Actions (updated January 2016)

Enclosure B: Revised Schedule of Events (updated January 2016)

cc: Laura Buelow, EPA
Matt Beirne, Lower Elwha Klallam Tribe

Port Angeles Rayonier Mill Timeline - 2010 Agreed Order to Plan for Interim Actions



DEPARTMENT OF
ECOLOGY
State of Washington

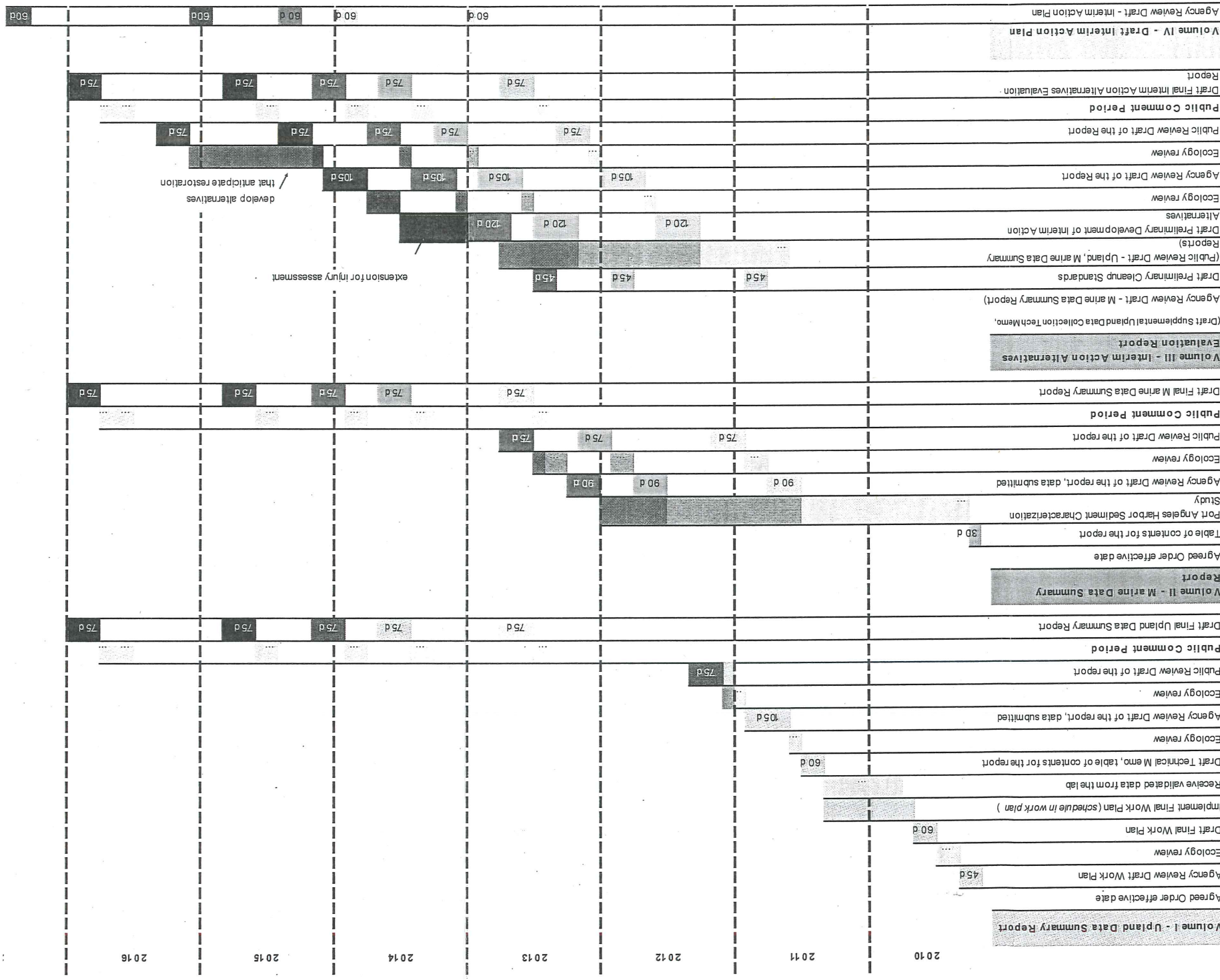
Key
 Volume I - Upland Data Summary Report
 Volume II - Marine Data Summary Report
 Volume III - Interim Action Alternatives Evaluation Report
 Volume IV - Draft Interim Action Plan

Schedule (Days = Calendar Days)	Deliverable	Vol.	Task
Within 30 days of effective date of Order Report	Table of Contents—Marine Data Summary Report	II	3a
Within 45 days of effective date of Order	Agency Review Draft Work Plan - Supplemental Upland Data Collection	I	1a
Within 60 days of receiving Ecology's comments on the Agency Review Draft Work Plan—Supplemental Upland Data Collection	Draft Final Work Plan—Supplemental Upland Data Collection	I	1b
As detailed in the Final Work Plan—Supplemental Upland Data Collection	Implement Final Work Plan—Supplemental Upland Data Collection	I	1c
Within 90 days of receiving Ecology's Port Angeles Harbor Sediment Characterization Study	Agency Review Draft—Marine Data Summary Report	II	3b
When the Agency Review Draft—Marine Data Summary Report is submitted	Marine data to Ecology's Environmental Information Management System	II	3c
Within 60 days of receiving validated data from the lab	Draft Supplemental Upland Data Collection Technical Memo	I	1d
When the Draft Supplemental Upland Data Collection Table of Contents for the Upland Data Summary Report is submitted	Table of Contents for the Upland Data Summary Report	I	2a
Within 75 days of receiving Ecology's comments on the Agency Review Draft—Marine Data Summary Report	Public Review Draft—Marine Data Summary Report	II	3d
Within 45 days of submittal of the Draft Supplemental Upland Data Collection Technical Memo and Agency Review Draft—Marine Data Summary Report	Draft Preliminary Cleanup Standards Section	III	4a
Within 105 days of receiving Ecology's comments of the Draft Supplemental Upland Data Collection Technical Memo	Agency Review Draft—Upland Data Summary Report	I	2b
When the Agency Review Draft—Upland Data Summary Report is submitted	Upland data to Ecology Environmental Information Management System	I	2c
Within 75 days of receiving Ecology's comments on the Agency Review Draft—Upland Data Summary Report	Public Review Draft—Upland Data Summary Report	I	2d
Within 120 days of submittal of both the Public Review Draft—Upland and Marine Data Summary Reports	Draft Preliminary Development of Interim Action Alternatives Section	III	4b
Within 105 days of receiving Ecology's comments on the Draft Preliminary Cleanup Standards and Development of Alternatives Sections	Agency Review Draft Interim Action Alternatives Evaluation Report	III	4c
Within 75 days of receiving Ecology's comments on the Agency Review Draft—Interim Action Alternatives Report	Public Review Draft Interim Action Alternatives Evaluation Report	III	4d
Public Comment Period	Public Comment Period		
Within 75 days of receiving Ecology revisions for the Public Review Draft of Upland Data Summary Report	Draft Final Upland Data Summary Report	I	2e
Within 75 days of receiving Ecology revisions for the Public Review Draft of Marine Data Summary Report	Draft Final Marine Data Summary Report	II	3e
Within 75 days of receiving Ecology revisions for the Public Review Draft of Interim Action Alternatives Evaluation Report	Draft Final Interim Action Alternatives Evaluation Report	III	4e
Within 60 days of Ecology approval of Volumes I, II, and III	Agency Review Draft Interim Action Plan	IV	5

Timeline begins March 2010, after the public comment period for the Agreed Order, and ends middle of 2017. Volume IV is the final task under this Agreed Order.

■ = review period (Ecology or lab)
 ■ = public comment period

Darker colors show a shift from the previous, 2011 version of the timeline. The shifts in schedule reflect delay in finalizing the Port Angeles Harbor Sediments Investigation Report, and discussions on development of cleanup alternatives that anticipate proposed restoration.



Updated January 2016

Enclosure B

Revised Schedule of Events¹

Task	Proposed Completion Date
New Agreed Order for Interim Action Study Area	Signed March 2010
Supplemental Upland Data Collection Work Plan	Completed August 2010
Collection of additional soil and groundwater data for the Uplands Interim Action Area	Completed Fall 2010 and Winter 2011
Public Comment Period for Rayonier Mill Off-Property Soil Dioxin Study Report	Completed August 2011 (45-day comment period)
Completion of the Public Review Draft Interim Action Report Volume I – Upland Data Summary Report for the Study	Completed May 2012 (approved January 2013)
Public comment Period for Port Angeles Harbor Sediment Investigation	Completed February to May 2012 (90-day comment period)
Completion of the Public Review Draft Interim Action Report Volume II - Marine Data Summary Report for the Study	Completed July 2014 (approved December 2014)
Completion of the Public Review Draft Interim Action Report Volume III -Alternatives Evaluation Report for the Study	Submitted February 2015. Anticipate completing in 2016.
Public comment period for Volumes I, II, and III	Fall 2016
Completion of the Final Interim Action Report Volumes I, II, and III	December 2016
Rayonier submits Draft Interim Action Report Volume IV – Interim Action Plan for the Study Area	April 2017
Ecology completes Final Interim Action Plan for the Study Area	August 2017
Implementation of Interim Action	Per Schedule in Next Agreed Order/Consent Decree
Consent Decree for Off Property	2017-2018
Consent Decree for Central Harbor	2017-2018
Implementation of Final Cleanup Action Plan	Per Schedule in Decree/Final Cleanup Action Plan

Blue – Task related to Interim Action Study Area.

White – Task is a related Ecology-lead project.

Pink – Task related to the entire Rayonier Site.

¹ This document represents Ecology's best current estimate of the schedule, but is subject to change.

