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VIA: E-MAIL and US MAIL

February 8, 2006

Mr. Hector Hernandez
California Regional Water Quality Control Board
Central Coast Region
895 Aerovista Place, Suite 101
San Luis Obispo, California 93401

**Subject: Progress Report #42
January 1 through 31, 2006
Morgan Hill, California**

Dear Mr. Hernandez:

Pursuant to the November 18, 2002, California Regional Water Quality Control Board, Central Coast Region (Regional Board) letter, this report summarizes Olin's progress related to Cleanup and Abatement Orders (CAOs) and the Monitoring and Reporting Program (MPR) associated with the Olin/Standard Fusee property located at 425 Tennant Avenue, Morgan Hill, California. Progress Report #42 is for January 1 through 31, 2006.

CAO R3-2004-0101 – Replacement Water Provisions and Ion Exchange System Installation

Replacement Water:

Olin continues to provide bottled drinking water to well owners and tenants in accordance with Regional Board CAO No. R4-2004-0101, as revised by the State Water Resources Control Board in its Order No. WQO 2005-0007, adopted on May 19, 2005. Quarterly sampling of domestic wells is proceeding as directed and is further described under MRP 2001-161. The Central Coast Water Board's decision regarding Olin's September 2005 request remains pending.

Ion Exchange (IX) System Installation:

Based on the revised Order (WQ 2005-0007) and current perchlorate data as of Fourth Quarter 2005, 31 wells are candidates for alternative water supply as described in the *Revised Alternative Water Supply Implementation Work Plan* (MACTEC, Sept 2005). As of December 31, 2005 Olin has or is implementing IX systems on 18 wells. There are 9 IX units installed and operating as designed, installation is in progress at 5 wells, final IX design is pending for 1 system, evaluation continues at 1 well, and access remains pending at 2 wells. Olin continues sampling and analyzing concentration trends in the remaining candidate wells.

CAO R3-2005-0014 – Llagas Subbasin Characterization and Remediation

Llagas Subbasin Monitoring Plan:

Item No. 11 Attachment No. 1
March 24, 2006 Meeting
Perchlorate Cases

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The Monitoring Plan submitted April 9, 2005 was granted partial approval on June 16, 2005. Additional information requested in the Regional Board's letter was submitted via e-mail to the RWQCB on June 17th, 2005 and in the report titled *Preliminary Groundwater Flow Assessment for the City of Gilroy* (MACTEC, Nov 2005). Full RWQCB approval of the Llagas Subbasin Monitoring Plan remains pending.

Monitoring Well Installation and Characterization Work Plan:

The Llagas Subbasin Monitoring Well Installation Work Plan was submitted on July 5, 2005 and subsequently approved by the RWQCB on August 3, 2005. Olin submitted the *Llagas Subbasin Monitoring Well Installation Report* on January 16, 2006, which included documentation of the monitoring well installation, initial groundwater sampling, and well surveying.

The *Llagas Subbasin Characterization Work Plan* was submitted on August 12, 2005. The Regional Board provided comments in a letter dated September 23, 2005. On October 24, 2005, Olin provided timely submittal of the *Revised Llagas Subbasin Characterization Work Plan* (Revised Work Plan) which included response to RWQCB. On December 20, 2005 the RWQCB provide conditional approval of the Revised Work Plan and requested that Olin provide additional information and another revision of the Revised Work Plan. On February 3, 2006 Olin provided the RWQCB with the revised *Final Llagas Subbasin Characterization Work Plan* (Final Work Plan), additional information requested, and Olin's response to comments.

In January, Olin completed a cone penetrometer assessment south of the Site which included the acquisition of multiple groundwater samples from 29 locations. Olin also completed the installation of an additional multi-port monitoring well approximately 200 feet east of MW-16 on Fisher Avenue.

Llagas Subbasin Cleanup Level Report

In accordance with Regional Board CAO R3-2005-0014 dated March 10, 2005, the *Llagas Subbasin Cleanup Level Report* was submitted to the RWQCB on January 31, 2006.

MRP 2001-161 Reporting – Onsite and Offsite Well Sampling Activities

In an effort to consolidate multiple documents that comprise the on-Site and Off-Site monitoring requirements, on November 2, 2005 the RWQCB issued a revised and combined MRP 2001-161 (Consolidated MRP) and subsequently rescinded MRP 2003-168. Following discussions with RWQCB staff on December 20, 2005 regarding the various issues present in the Consolidated MRP, Olin provided the RWQCB with a revised Consolidated MRP on January 10, 2006 for review. Olin is continuing to perform work pursuant to our understanding that the RWQCB's intent was consolidation of MRP 2003-0168 and MRP 2001-161 (August 31, 2005 revision).

On January 31, 2006, Olin submitted the Fourth Quarter groundwater monitoring reports to the Regional Board. A portion of the on-site monitoring and all off-site monitoring was included in MACTEC's groundwater monitoring report. On-site monitoring of the groundwater extraction system and on-site soil remediation was included in GeoSyntec's containment, treatment and in situ bioremediation report.

Onsite Well Sampling Activities:

The monthly onsite monitoring program was conducted during January 2006. The water-level measurements included 20 onsite monitoring wells, and 26 nested BarCad® wells at 8 locations on the Site. The results will be included in MACTEC's First Quarter 2006 Groundwater Monitoring Report to be submitted to the RWQCB by April 30, 2006.

Offsite Well Sampling:

The collection of offsite samples began for the First Quarter 2006 monitoring event. Between January 1 through 31, 2005, groundwater samples were collected from 484 wells. The results will be included in MACTEC's First Quarter 2006 Groundwater Monitoring Report to be submitted to the RWQCB by April 30, 2006.

Groundwater Containment System Operations:

Full-time treatment system operations continued in January 2006 with the exception of a temporary shutdown on December 31, 2005 by the City of Morgan Hill due to high water elevations in the Butterfield Retention Ditch. The system was subsequently re-started on January 5, 2006. During January, the system extracted and removed perchlorate from over 5.2 million gallons of groundwater. To date, perchlorate has been removed from over 94 million gallons of water. Data from the treatment system operations will be presented in GeoSyntec's First Quarter 2006 Containment, Treatment, and In Situ Bioremediation Report to be submitted to the RWQCB by April 30, 2006.

Soil In Situ Bioremediation (ISB) System Operations:

The ISB system operations continued in January 2006. Lysimeter and moisture sensor data were collected in early January. To date, over 4 million gallons of GWTS effluent, amended with citric acid, have been applied to the ISB infiltration unit. Soil remediation monitoring of the in situ bioremediation system will be presented in GeoSyntec's First Quarter 2006 Containment, Treatment, and In Situ Bioremediation Report to be submitted to the RWQCB by April 30, 2006.

On-Site Recharge System:

Components of the proposed on-site recharge system were documented in GeoSyntec's 90% Engineering Design Report submitted to the RWQCB on December 19, 2005 for review and approval. As part of the recharge system, three injection wells were installed in December 2005. Development and testing of the injection wells was conducted January 24-27, 2006 with installation of the conveyance piping and well head works beginning the following week. An initial system start-up was conducted on February 2, 2006. On February 3, 2006 Olin provided the additional information requested in the RWQCB's Nov 2005 conditional approval and requested RWQCB acceptance of the information by February 17, 2006.

West San Martin Water Works Ion Exchange Systems

The West San Martin Water Works ion exchange systems installed on the County and Colony wells continued operations during January. At the County well, perchlorate was removed from 3.3 million gallons of water with 172 million gallons treated to date. At the Colony well, perchlorate was removed from 1.0 million gallons of water with 58 million gallons treated to date. Since the August 2003 installation of the ion exchange systems, over 230 million gallons of potable water have been provided to over 450 homes in the San Martin community,

San Martin County Water District Ion Exchange System

The San Martin County Water District ion exchange system was operational during January. At the Camping World well, perchlorate was removed from 1.9 million gallons of water. Since the February 2004 installation of the ion exchange systems, over 86 million gallons of potable water have been provided to over 250 homes in the San Martin community.

Northeast Groundwater Flow Assessment

Manual depth to groundwater measurements were collected at the single screen and CMT piezometers and download of transducer data were performed biweekly during January. Olin provided an update of the Northeast Groundwater Flow Assessment as part of the Fourth Quarter 2005 Groundwater Monitoring Report (Appendix E). The update provides a technical analysis of the groundwater data collected during the fourth quarter 2005.

On January 13, 2006 Olin submitted to the RWQCB a written response to SCVWD and Komex presentations to the RWQCB on December 20, 2005 related to the Northeast Flow Assessment.

As required by and agreed to in Paragraph 14a and 14b of the Stipulated Conditional Stay of the Requirements of December 28, 2004 Order Requiring Investigation of Northeast Flow (effective September 30, 2005) by the RWQCB, Olin collected groundwater samples from wells northeast of the Site between November 1 and November 30, 2005. On January 27, 2006 Olin submitted (ahead of schedule) to the RWQCB a report containing a tabular summary of perchlorate concentrations and laboratory reports, monitoring well purge data, sample location maps, well designations, and copies of sample chain-of-custody forms.

Upcoming Reports

Due Date

- Monitoring and Reporting Program 2001-161:
 - 1st Quarter 2006 Groundwater Monitoring Report 4/30/06
 - 2nd Quarter 2006 Groundwater Monitoring Report 7/30/06
 - 3rd Quarter 2006 Groundwater Monitoring Report 10/30/06
 - 4th Quarter 2006 Groundwater Monitoring Report 1/30/07
- Monthly Progress Reports 10th of each month
- Northeast Groundwater Flow Assessment Updates:
 - Appendix of 1st Quarter 2006 Monitoring Report 4/30/06
 - Appendix of 2nd Quarter 2006 Monitoring Report 7/30/06
 - Appendix of 3rd Quarter 2006 Monitoring Report 10/30/06
 - Groundwater Flow Assessment Report 11/15/06
- Lagas Subbasin Characterization and Remediation CAO:
 - Plume Migration Control Assessment Report 3/03/06
 - Lagas Subbasin Characterization Report 3/30/06
 - Lagas Subbasin Cleanup Feasibility Study Report 6/30/06

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Olin will continue to provide monthly progress reports of field activities. If you have any questions or require further assistance, please call me.

Sincerely,
OLIN CORPORATION

A handwritten signature in black ink, appearing to read "Richard W. McClure". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Richard W. McClure, P.G., REM
Environmental Remediation Group

cc (via e-mail):

Mr. Eric Gobler, Regional Board – Central Coast Region
Ms. Leslie Griffin, P.E., GeoSyntec
Ms. Sylvia Hamilton, PCAG Chair
Mr. Thomas Mohr, Santa Clara Valley Water District
Mr. Donald Smallbeck, MACTEC
Mr. Curt Richards, Olin