

COLUMBIA FALLS ALUMINUM COMPANY

P.O. Box 10
Columbia Falls, Montana 59912
Telephone 406 892-3261

May 14, 1987

Mr. J. P. Meck
Senior Attorney
Legal Department
Atlantic Richfield Company
515 South Flower Street
Los Angeles, CA 90071



Dear Mr. Meck:

1. SUMMARY

As you are well aware, the Columbia Falls, Montana aluminum reduction facility was purchased from ARCO by the Montana Aluminum Investors Corp. (MAIC) in September 1985. By agreement, ARCO retained liabilities to conditions in existence prior to the closing date.

You are familiar with the extent of asbestos at Columbia Falls and the need for asbestos removal.

This memorandum provides background documentation leading up to this situation, as well as an engineer's estimate of control methodology. There are a total of eight attachments, in chronological order.

By our estimate, ARCO's liability for asbestos abatement at Columbia Falls amounts to \$280,000.

We would be happy to discuss this matter in more detail at your earliest convenience. It would appear that a meeting at Columbia Falls would be best, so we could show you, firsthand, the extent of the problem.

2. BACKGROUND--ARCO's ROLE

The Acquisition Agreement (Attachment 1) between ARCO and MAIC is specific about liability. Section 10(a): "Seller (ARCO) will indemnify and hold Buyer (MAIC) harmless from and against . . .," Section 10(a)iii, "All damages, losses, and out-of-pocket expenses caused by or arising out of obligations or liabilities relating to the Smelter Business resulting from events or conditions in existence prior to the Closing Date."

You have visited the plant and are well aware of the problem and ARCO's liability (Attachment 5). ARCO has already addressed one part of the problem--asbestos medical monitoring (Attachment 6).

The problem at hand is asbestos in situ. There is no question that the asbestos must be controlled (Attachment 8). The asbestos in the plant was thoroughly evaluated. The quantity of asbestos in situ was beyond what anyone had imagined. A detailed engineer's estimate was prepared and is discussed in Section 4 of this report.

3. THE NEED FOR ABATEMENT

The Columbia Falls plant was constructed as follows:

1953 - 1955	Lines 1 and 2
1964 - 1965	Line 3
1966 - 1968	Lines 4 and 5

During this time frame, asbestos was widely used in construction for thermal and electrical insulation, for mechanical abrasion or friction applications, for fire resistant clothing and roofing, and water pipe applications, as well as a myriad of other uses.

The danger of asbestos became known in the early 1970's and an industrial hygiene program was established at Columbia Falls (Attachment 2).

Of particular interest is the change of Threshold Limit Value (TLV) over the past 15 years by OSHA:

July 7, 1972	--	5 fibers/cc	8 hour avg.
July 1, 1976	--	2 fibers/cc	8 hour avg.
August 1, 1986	--	0.2 fibers/cc	8 hour avg.
August 1, 1986	--	0.1 fiber/cc	"Action Level"

(Attachments 2 and 4)

Thus, the present action level is 1/50th the TLV just 15 years ago.

We have had conversations with OSHA to determine whether or not abatement is required (Attachment 8). We know the asbestos is there; we know persons who work in the area are exposed well over the TLV; and we know "feasible engineering controls" exist. Thus, CFAC and ARCO are extremely likely to become involved in a "triggering incident" which you yourself described (Attachment 5).

4. ACTION PLAN AT COLUMBIA FALLS--CONTROL COSTS

The history of the asbestos program at Columbia Falls has been previously referenced (Attachment 2).

As a result of more stringent standards regarding asbestos (Attachment 4), we undertook an extensive survey of all known asbestos-containing materials in the plant in June and July, 1986 (Attachment

3). The result showed far more asbestos material in situ than anyone at Columbia Falls expected.

A thorough engineering study was undertaken to determine what could be done (Attachment 7). Estimates for the Encapsulation, Option I, were \$280,330. Option II, Removal, was \$2,160,005. After extensive study, including discussions with OSHA, we believe Option I to be most reasonable and cost effective.

5. CONCLUSION

All of the asbestos that must now be controlled was in place when ARCO transferred the plant to MAIC. In the Acquisition Agreement, ARCO agreed to retain liabilities "in existence prior to the Closing Date." Thus, I believe ARCO should remunerate MAIC for all expenses incurred in the above-described asbestos abatement project.

Sincerely,



T. F. Payne
Technical Manager

TFP/rb

Attachments (8)

mcs: D. F. Ryan/N. Gilliland w/ attachments
R. J. Smollack/D. Strainer "