

# Pacific Steel Casting Company

1333 SECOND STREET

BERKELEY, CALIFORNIA 94710

510-525-9200

March 1, 2006

Ms. Grace Neufeld, Executive Director  
Clean Air Coalition. Net  
c/o Neighborhood Solutions, Inc.  
4100-10 Redwood Road, #293  
Oakland, CA 94610

Re: Pacific Steel Casting Co.

Dear Ms. Neufeld,

This letter responds to your letter to Mr. Robert Delsol dated January 30, 2006. All of us at Pacific Steel Casting Co. (Pacific Steel) share the concerns mentioned in your letter. For your information, Pacific Steel is a steel foundry, which makes steel castings for many businesses and entities, locally, nationally, and internationally. We have over 600 employees, many of whom are represented by the Glass, Molder, Plastic Union Local 164B. Pacific Steel has been in operation in Berkeley since the 1930's. Over the years, various changes have occurred to the company and the steel casting industry. We have striven to always produce quality castings in an environmentally sound and safe manner to continue business and the employment of many people over the years.

## Background

Generally, odor issues began in the year during which Plant 3 construction occurred. Then we heard from our neighbors who were directly downwind from Plants 2 and 3. Once we learned about odor issues, Pacific Steel worked hard, along with the few known odor experts in the new field, to track down the origin of possible odors and to respond to these concerned neighbors. Finding an effective technology to understand and control odors was not an easy matter. The company worked hard in trying out many different proposed technologies prior to coming to the conclusion that a carbon filter system (actually a custom carbon adsorption system) could be an effective mean to address the concerns. In 1985, Pacific Steel installed a custom built \$1,000,000.00 carbon filter system at Plant 2 in response to the odor complaints. It has operated very successfully and efficiently since then.

Complaint traffic was reduced drastically after 1985. It was not until 1989 that the company again heard from the Bay Area Air Quality Management District that the neighbors close to Plant 1 located about one and half blocks away began to have odor

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issues. This time the odor in the community was tracked to Plant 1. Only on a few occasions, was there any Plant 3 odor in the community. Again, the company worked with the City of Berkeley and the Air District. The company installed a second carbon system that would control the odors from Plant 1 at a cost of \$1,800,000.00. We also modified the ventilation in Plant 3 to reduce potential emissions from this plant. This second carbon filter system has been very successful and efficient in controlling odors.

### Current Events

In 2005 (14 years after the second carbon filter installation), we heard from our neighbors regarding new odor complaints. The company immediately investigated the source of odors and analyzed the complaint traffic. The company began discussion with the Air District to determine the problem and find a solution to the issue. Both parties have worked very hard in this effort. Much information was gathered from the Air District to correlate the complaint data with the production patterns in the facilities. An "Odor Control Plan" was submitted to the Air District on September 9, 2005. As part of the plan, the Company evaluated a lower emission binder to replace an existing binder. The experiment did not work as we hoped since the new binder could not adequately make the quality castings needed at the facility. Binder studies remain an ongoing effort for the company.

Immediately following the conclusion of this experiment, the company retained the engineering team from Mitchell Engineering to further evaluate the possibility of building a carbon filter system for Plant 3. They designed the prior systems. After many meetings and evaluations, an alternative plan was submitted to the Air District on October 12, 2005 which includes as part of the odor solution, the installation of a \$2,000,000.00 plus carbon filter system. This carbon filter system is again to be specially designed and constructed for the company, this time at Plant 3. The filter system includes over 30,000 lb of carbon which is designed to capture air emissions including odorous emissions from the metal pouring and cooling stations and metal shakeout station at Plant 3. When we discussed, with the Air District, this concept, they were very supportive of this system. They, like the company, believe it to be a very effective odor control technology. The operation of this new unit is expected by mid-October 2006 or earlier depending upon permitting. The company is expediting the installation of this system and is grateful for assistance from the City and Air District toward this end. We are very confident that the carbon filter will be an effective means to address the odor concerns in the neighborhood.

Also as part of the overall odor control strategy, interim measures are in place, and have been implemented, to minimize potential emissions. These include, closing open areas including doors close to metal pouring and cooling areas, automating general room ventilation so that some exhaust fans would be off after operating hours, adding an additional door to contain potential emissions, and installation and use of a biodegradable odor neutralizer inside Plant 3. We also prohibited newly poured molds from cooling outside the plants to prevent fugitive emissions.

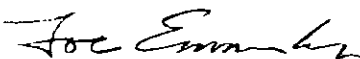
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In December, the company signed a "Settlement Agreement" with the Air District to formally require the installation of the carbon system with increments of progress. This agreement also updates the odor management plan for our three plants. We are very confident the agreement will have beneficial results. Pacific Steel is actively working in compliance with this settlement agreement. It is sad so many neighbors do not believe that sincere efforts are being made by the company in these regards. A copy of this agreement is enclosed.

We are pleased you met with AJE Partners to express your concerns in addition to your first letter. We now have a second letter from you dated February 21, 2006. The first letter threatens multiple small claims actions and the second seems to continue the threat. We hope that you and Clean Air Coalition will allow the company to continue implementation of the Settlement Agreement without litigation. While the company will actively defend any such litigation, we believe such litigation would only divert efforts from the company moving forward as fast as possible under the agreement. The company prefers the neighbors support toward this solution.

We understand this matter is extremely important to our neighbors. Pacific Steel wants to be a good neighbor and is willing to continue a dialogue with you in this matter.

Sincerely,



Joe Emmerichs   
V.P. Operation