



# Minnesota Pollution Control Agency

Duluth Office

January 10, 2008

Mr. Tom Moe  
United States Steel Corporation  
Minnesota Ore Operations – Minntac  
P.O. Box 417  
Mt. Iron, Minnesota, 55768

RE: November 14, 2007 Schedule of Compliance  
Hydrologic Impact Modeling

Dear Mr. Moe:

The purpose of this letter is to follow-up on our meeting discussions of January 8, 2008. During that meeting MPCA staff, Minntac staff, and Minntac consultants reviewed results of the Sandy River Modeling Report (WQ Report) and the Seep Collection Feasibility Report (Seep Collection Report). The results of the Seep Collection Report conclude that the maximum estimated percentage of seepage to the Sandy River watershed that could be collected is approximately 55% to 60%. The WQ Report concludes that over 95% of tailings basin seepage to the Sandy River would have to be collected and returned to the basin to meet the wild rice water quality standard.

Part 6.b. of the above referenced Schedule of Compliance (SOC) states, in-part "...If the Seep Collection Feasibility Report indicates that it is feasible to collect and return a certain volume/percentage of the perimeter dam seepage to the tailings basin that would achieve compliance with water quality standards, as determined by the modeling required in Part 6.b. above, the Regulated Party shall conduct modeling to determine the impacts to the hydrology of the Sandy River and associated wetlands of the collection and return of that volume of perimeter dam seepage...The Regulated Party shall submit modeling results to the MPCA for review and approval by no later 120 days after approval of the Seep Collection Feasibility Report."

Based on the information presented in both the Seep Collection and WQ Reports, it appears that water quality standards for wild rice will not be met solely through seepage collection. A strict interpretation of the requirement means that Minntac is not required by Part 6.b. of the SOC to submit a report on the hydrologic impact to the Sandy River watershed of seep collection. However, during the January 8, 2008 meeting, both the MPCA and Minntac recognized that collection of a significant amount of seepage from the tailings basin to the Sandy River watershed may be a critical component of the revised water management plan required under the current SOC. Since collection of even a portion of the seepage to the Sandy River watershed would likely have some degree of hydrologic impact on the watershed, Minntac also agreed to cooperate with the Minnesota Department of Natural Resources and the MPCA to complete an evaluation of the potential impacts of seepage collection on the hydrology of the Sandy River

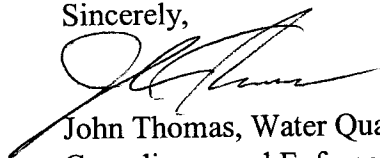
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watershed. Minntac staff also agreed to further investigate applicable regulatory agency approvals and construction feasibility required for seepage collection.

It is anticipated that this hydrologic impact assessment will be completed as soon as possible, likely, though not necessarily before the 120-day timeline specified in Part 6.b. of the SOC.

If you have any questions or concerns regarding this letter please contact me at 218-723-4928.

Sincerely,



John Thomas, Water Quality Specialist  
Compliance and Enforcement Section  
Industrial Division

cc: Ann Cohen, Assistant Attorney General  
Jeff Udd, MPCA