

June 15, 2010

Mr. Dana Bayuk
Oregon Department of Environmental Quality
Northwest Region, Portland Office
Portland Harbor Section
2020 SW Fourth Avenue, Suite 400
Portland Oregon 97201-4987

HAI Project No. 2708
DEQ ECSI File No. 84

SUBJECT: Progress Report, NW Natural Gasco Property, 7900 NW St. Helens Avenue, Portland, Oregon

Dear Mr. Bayuk:

Hahn and Associates, Inc. (HAI) has prepared this monthly Progress Report summarizing Remedial Investigation/Feasibility Study (RI/FS) and source control-related work activities conducted by NW Natural that have occurred relating to the Gasco property during the month of May 2010. NW Natural is completing upland investigatory activities at the subject property under the Voluntary Agreement No. ECVV-WMCVC-NWR-94-13 between NW Natural and the Oregon Department of Environmental Quality (DEQ).

1.0 Communications and Document Submittals

In e-mail correspondence dated May 12, 2010 (John Edwards to Dana Bayuk), Anchor QEA provided preliminary drawings showing proposed changes to the extraction well design in the NW Natural portion of Shoreline Segment 1. The drawings were provided to DEQ for their consideration in advance of the NW Natural/DEQ technical meeting scheduled for May 17.

In e-mail correspondence dated May 12, 2010 (Dana Bayuk to John Edwards), DEQ provided NW Natural with DEQ's list of topics for discussion, as well as DEQ's goals and desired outcomes, for the NW Natural/DEQ technical meeting scheduled for May 17.

In e-mail correspondence dated May 14, 2010 (Carl Stivers to Dana Bayuk), Anchor QEA provided a proposed agenda to DEQ for the NW Natural/DEQ technical meeting scheduled for May 17.

A NW Natural/DEQ technical meeting, established to discuss NW Natural's proposed path forward to allow full source control across Shoreline Segments 1 and 2, as well as for the resolution of key upland Risk Assessment issues as needed to support initiation of the uplands Feasibility Study, was conducted on May 17, 2010.

In correspondence dated May 21, 2010 (Ben Hung, Carl Stivers, and John Edwards to Dana Bayuk), Anchor QEA, on behalf of NW Natural, submitted to DEQ a memorandum describing NW Natural's understanding of agreements and action items resulting from the May 17, 2010 NW Natural/DEQ technical meeting.

2.0 □ Field Work

Field activities related to monitoring and maintenance of the dense non-aqueous phase liquid (DNAPL) extraction system at surficial fill well locations MW-6-32 and MW-13-30 occurred during May. During May, approximately 26 gallons of DNAPL / water were pumped from wells MW-6-32 and MW-13-30 (combined). Based on visual observations during select pumping cycles, it is estimated that approximately 50% of the liquid pumped in May from MW-13-30 was DNAPL, while approximately 65% of the liquid pumped from MW-6-32 was DNAPL.

Discharge of treated water (groundwater from the LNG containment basin) to the City of Portland sanitary sewer was initiated on March 16, 2007 under Temporary Wastewater Discharge Permit 500.022 (expires February 15, 2012). Results of NW Natural's effluent sampling are provided to BES in Discharge Monitoring Reports that are submitted for any month that effluent sampling occurs – which is at least every other month in accordance with the permit. As of May 27, 2010, a total of 6,502,875 gallons of treated water have been discharged to the sanitary sewer in 2010.

Preparations for Doane Creek soil and sediment sampling activities (BNSF property), including necessary vegetation clearance and establishment of surface water sampling stations and stream gauges for seasonal monitoring, were completed on May 10 and 11, 2010, as part of NW Natural's RI activities as related to the adjacent Siltronic property.

New monitoring wells MW-7-60 (replacement for MW-13-61R) and MW-18-125 (replacement for well MW-16-125), installed in late April, were developed between May 13 and May 17, 2010.

Groundwater elevation and DNAPL presence measurements were collected from monitoring wells at the NW Natural and adjacent Siltronic properties on May 18, 2010 as part of the second quarter 2010 routine groundwater monitoring event. Groundwater samples were collected from new wells MW-7-60 and MW-18-125 on May 20, 2010. The second quarter 2010 sampling represents the first of four consecutive quarters of sampling for these new wells.

Capture zone field testing using Shoreline Segment 2 wells PW-7, -8, and -9, initiated in April 2010, continued during May as per the EPA approved Capture Zone Field Test plan.

Ongoing visual sheen monitoring, consistent with a DEQ-approved monitoring plan, of the boom / sheen containment area immediately offshore of the Gasco/Siltronic property boundary were conducted during May.

3.0 Anticipated Activities in June and July 2010

Water level data from the pump tests completed in May are being evaluated to determine what additional testing may be needed to achieve the goals stated in the capture zone test workplan. Preliminary evaluation of the data indicate that additional field testing may be appropriate using an extraction well screened in the upper alluvium.

An Environmental Monitoring Report, to include groundwater elevation maps, DNAPL thickness measurements, and final laboratory data and validation reports for the third and fourth quarters of 2009 will be submitted in June (submitted to DEQ on June 7, 2010).

NW Natural will provide to DEQ a proposal in advance of the June 21, 2010 DEQ/NW Natural project meeting containing specific methods and approaches for revising the upland risk assessment that considers and addresses the issues raised in DEQ's March 10, 2010 comments letter. These proposed risk assessment methods were largely discussed and presented to DEQ in the May 17, 2010 DEQ/NW Natural meeting, and further identified in the May 21, 2010 memorandum to DEQ.

During June it is anticipated that DEQ will review the proposed NW Natural preliminary design modification of the Segment 1 extraction well system, including related hydraulic modeling results, as presented during the May 17 technical meeting. To avoid further delays in the source control project schedule, NW Natural desires DEQ to provide the next steps for Segment 1 source control design by June 15, which will allow time for NW Natural to prepare for the June 21 DEQ/NW Natural meeting. Specifically, NW Natural expects DEQ to make a decision on whether DEQ will consider a Segment 1 extraction well design modification similar to the one presented on May 17.

Regularly scheduled monthly meetings with NW Natural and DEQ are anticipated to occur in June and July to discuss ongoing technical items predominated by groundwater source control, risk assessment and feasibility study issues.

Doane Creek soil and sediment sampling activities, part of NW Natural's RI activities as related to the Siltronic property, will be completed in June, once water levels drop sufficiently to allow safe access to the sampling stations. Surveying of the location and elevation of staff gauges established within the creek will also occur in June, to be followed by the first of 4 planned seasonal surface water sampling events (dry season), to occur in the July through September time-frame (weather pattern dependent).

The following reports and work plans on the Site have been submitted to DEQ for review and comment.

- Source Control Evaluation Report, "Segment 3" Siltronic Property Related to NW Natural "Gasco" Site, February 19, 2009, Anchor QEA.
- Evaluation of potential method produced biases associated with available cyanide method OIA-1677, August 14, 2009, Anchor QEA.
- Proposed Revision to Environmental Controls and Sheen Monitoring at the Gasco/Siltronic Property Boundary, October 5, 2009, Anchor QEA
- Historical Sheen Occurrences at the Gasco/Siltronic Property Boundary and Request for Approval of Revised Containment Structure Configuration, April 6, 2010.

Should you have any questions, please contact the undersigned.

Sincerely,



Rob Ede, R.G.
Principal

robe@hahnenv.com

- c: Ms. Sandra Hart, NW Natural
- Mr. Bob Wyatt, NW Natural
- Ms. Patty Dost, Pearl Legal Group PC (electronic only)
- Mr. Carl Stivers, Anchor QEA, L.L.C.
- Mr. John Edwards, Anchor QEA, L.L.C.
- Mr. Henning Larsen, DEQ NW Region
- Mr. Tom Gainer, DEQ NW Region (electronic only)
- Mr. Tom McCue, Siltronic Corporation
- Ms. Kristine Koch, Region 10 EPA (electronic only)
- Mr. Sean Sheldrake, Region 10 EPA (electronic only)
- Mr. Rene Fuentes, Region 10 EPA (electronic only)
- Mr. Eric Blischke, Region 10 EPA (electronic only)
- Mr. Chip Humphrey, Region 10 EPA (electronic only)
- Mr. Lance Peterson, CDM, Inc. (electronic only)