August 16, 2012

VIA EMAIL

Ms. Susan Hedman
Regional Administrator, Region 5
U.S. Environmental Protection Agency
77 W. Jackson Blvd.
Chicago, IL 60604-3590

Re: Lake Michigan Carferry, Inc. S.S. Badger National Pollutant Discharge Elimination System Individual Permit Application

Dear Administrator Hedman:

As you know, we have continued to look ways to reduce and ultimately eliminate the discharge of coal ash from the Badger. We are committed to this even though it may not be required by the Clean Water Act. Our ongoing efforts to find a solution to the discharge of coal ash has been focused on LNG as an alternative fuel source, and we continue to investigate ash retention to find a system that is both technologically and economically feasible. We still believe that LNG is our best long-term solution but, as you know, when it will become commercially available and economically possible is still not known.[1]

As a result of our continuing efforts, we recently learned of a new and more encompassing approach to ash retention that we think may make this alternative more viable than previously thought, and we wanted to raise it with you. Through the utilization of modern combustion controls interfacing with new stokers, we think we can substantially increase the efficiency of our boilers, decrease the amount of coal being utilized and, therefore, the amount of ash generated. The benefits of this new concept would be fuel savings and a reduction in ash production. By reducing the amount of ash generated, storage and land side recycling or disposal would become a more manageable option. We believe this system could be installed within about two years. We call this option "Coal Ash – Rebuild stokes/replace combustion controls." The major challenge is that until we know that it actually runs more efficiently and produces less ash, we cannot install an ash collection and retention system for it.

[1]. We recently saw that a rather large private shipper in Alaska expects to be able to install LNG in its vessels by late 2016. Others such as public commuter ferries who are moving in this direction are receiving federal funding to assist them in similar conversions. Because LMC is neither a large business nor eligible for public funding, our resources are limited.

The problem is we cannot afford to pursue this option and LNG. We would like you to consider the following possible approach:

Present to 2014 – Continue the exploration of LNG as a fuel source to give this best long-term option every opportunity to be implemented. If by December 31, 2014, we are not able to commit to a completed LNG conversion that would be in place and operational by 2017, we will move forward with the new ash option outlined below.

End of 2015 – Complete the engineering, design and approval process of the combustion controls and stoker portion of the ash retention system by 2015.

Winter 2015 /2016 – Install new combustion controls and stokers for 2016 sailing season.

2016 Sailing Season – Monitor and fine tune new combustion controls and stokers, while gathering data for the final design criteria of the ash retention system. (Coal ash would still be discharged, but at reduced amounts to ensure that projected ash generation is accurate, and a smaller retention system can be designed).

Winter 2016 & 2017 – Install the new ash retention system and be fully operational for the 2017 sailing season.

Spring of 2017 – Begin operation with the new ash retention system.

We are cautiously optimistic that this new coal ash combustion system will significantly reduce the fuel we use and the ash that is generated, and allow us to store and offload it landside without some of the other difficulties we have faced. That said, we still believe LNG is a better long-term solution. As with all options, we also understand and expect that there would be enforceable milestones.

Again, our efforts here are continuing and as we learn new information, we want to advise you as soon as reasonably possible. We are happy to discuss the details of this with you at your earliest convenience.

If you have any questions or comments feel free to contact me.

Sincerely,

Chuck Leonard
VP Navigation
Lake Michigan Carferry Service

cc: William Creal, Michigan Department of Environmental Quality
Kenneth Johnson, Wisconsin Department of Natural Resources