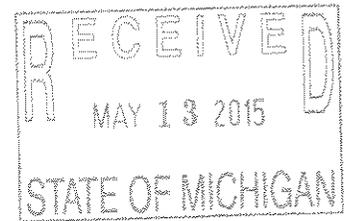




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May 8, 2015

Eric Grinstern, Environmental Quality Specialist
Air Quality Division, Grand Rapids District
Michigan Department of Environmental Quality
350 Ottawa Avenue, NW
Grand Rapids MI 49503

RE: Letter of Violation for Alloy Resources Corp; SRN N7888 Muskegon County

Dear Eric:

On April 24, Port City Group received your letter dated April 17, 2015 regarding the January 14–16, 2015 inspection of our Alloy Resources Corp facility. This letter contains our response.

General Response

Port City Group seeks to be a world class manufacturer of automotive parts, with Alloy Resources Corp an important part of our vertical integration in the market. To achieve this goal we will comply with all applicable requirements and strive to meet the highest expectations of our customers, government and community.

In 2013 and 2014 we relied on a newly hired senior manager to expand and operate the Alloy Resources operation. We entrusted this manager to meet our expectations, and those of the MDEQ, USEPA, the federal Clean Air Act and Part 55 of the Michigan Natural Resource and Environmental Protection Act. Unfortunately, in early 2015 it became clear that this manager was failing to meet our expectations. As further discussed below, we immediately developed and executed a plan to replace this individual and redirect this business unit.

On March 16, Mr. Dennis Flanagan became the new General Manager of Alloy Resources Corp. We have instructed Mr. Flanagan on our expectations and embarked on a major overhaul of our teams, equipment, engineering and management systems to ensure our expectations and those of the MDEQ will be met now and in the future.

The General Manager prior to Mr. Flanagan had no authority and was not authorized in any fashion to less than fully comply with all applicable environmental requirements. The changes we have made and will continue to make are expressly designed to meet Port City Group and MDEQ expectations in these and other matters



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vital to our business. If we have failed to meet these expectations in the past, we regret any such occurrence.

Response to Specific Allegations

Your April 17 letter cited six specific items as copied below and for which we provide brief responses. As we have discussed, Port City Group strongly desires to move our attention beyond the difficulties of the past and focus on full compliance and our goals for the future.

We also note that our investigation into these matters and the actions of the prior General Manager continues. As such we reserve the ability to submit new information or responses.

1. Failure to conduct emission testing by the established deadline. PTI 340-07B Special Condition V.1; FGFURNACES

Our internal investigation revealed that we placed unclean charge in the 80,000 lb capacity reverberatory furnace (EUALREVERB) in the latter portion of 2013, continuing off and on through 2014. Formal notice of this activity and associated scheduling of the stack test was not done until the latter half of 2014, in preparation for the January 2015 stack test. We are at a loss to explain why the former General Manager operated in this fashion. We do note that when the stack test was completed, it indicated we were meeting our emission limits, and from this we conclude there was no actual harm to human health and the environment. The primary corrective actions have been the installation of Mr. Flanagan as the new General Manager, and the expansion of oversight and integration of Alloy Resources Corp into the Port City Group corporate management systems. We have additionally greatly expanded our team through the use of outside compliance experts, including the use of TRC Environmental Corporation, Bergeson Technology Services and Viper Environmental System Designs, among others. These actions will prevent any similar occurrence in the future.

2. Failure to verify lime injection rates to meet the emission limits within 90 days of initial startup. PTI 340-07B Special Condition V.2; FGFURNACES

We see this as the same as Item #1, above. Given that lime injection rates are set through stack testing, the use of the reverberatory furnace (EUALREVERB) as noted above triggered the same timeframes, and the causes and corrective actions for Item #1 are applicable responses to this item. Our lime injection rate has now been established as a result of these efforts and we have improved our lime injection recordkeeping and preventive maintenance, and expanded the manual daily weight verification system. We will also soon install a much improved injection system with



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automated weight tracking, and rate verification included in our expanded preventive maintenance system.

3. Exceedance of the pound per hour aluminum throughput limit. PTI 340-07B Special Condition II.1; FGFURNACES

Following the MDEQ letter of April 17, we further investigated this issue with respect to the aluminum throughput numbers for the several reported time periods. We located informal production logs that indicated the formal records sometimes summed throughput amounts for several days, leading to excessive and incorrect throughput amounts being stated on the formal record. We also note that some of the throughput amounts on the formal record might not be possible to achieve in the cited time periods (furnace would not melt that much that fast). Accordingly, the informal records appear to be more credible than the formal record and we believe that these exceedances did not occur.

4. Failure to conduct emission testing within 90 days of initial startup of a Group 1 furnace. PTI 340-07B Special Condition V.1; 40 CFR 63.1511(b); FGMACT-RRR

We see this the same as Item #1, therefore please refer to that response.

5. Failure to inspect each capture/collection system at least once each calendar year. PTI 340-07B Special Condition V.5; 40 CFR 63.1510(d)(2); FGMACT-RRR

40 CFR 63.1510(d)(2) calls for ARC to inspect the baghouse at least once annually to ensure proper operation. Proper operation is defined by designing the system to ACGIH standards, operating the collection system as a closed system and operating according to an approved operation, maintenance and monitoring plan (OM&M). An ACGIH ventilation assessment was performed on April 7-8, 2015. We note that the assessment completed by Mr. Robert Scholz of TRC demonstrated the system was compliant with the applicable ACGIH standard. This demonstration indicates that the collection system and baghouse were operating according to the ACGIH standard during the operating period in question.

ARC operated the facility under an approved OM&M during all of the time period in question.

Following the MDEQ April 17 letter, we were able to locate the attached report from July 5, 2014 that documents an inspection of the baghouse by an experienced and qualified contractor, Advanced Systems & Integration. We also cite Attachments 1, 2 and 5 of our March 9, 2014 letter documenting numerous actions to assess and improve the capture/collection system throughout this time period. This included extensive baghouse maintenance work by SET Environmental, Inc. and Quality



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Maintenance Contractors in September, October and December of 2014. Based on this additional information, only the annual inspection during the 2013 calendar year is not accounted for at this time.

With respect to ensuring formal compliance milestones are met in the future, as otherwise noted our primary corrective actions include the installation of a new General Manager, the expansion of our oversight and integration of Alloy Resources Corp into the Port City Group corporate management systems, and the greatly increased use of outside compliance experts such as TRC and Bergeson Technology Services. ARC submitted an updated OM&M plan with the Notice of Compliance Status Report submitted in April of 2015. With the integration of Alloy Resources Corp into the Port City Group corporate management systems we anticipate comprehensive recordkeeping procedures and full compliance with this rule moving forward. Specifically with respect to the ACGIH study, we are incorporating this requirement into our Preventive Maintenance program within our Enterprise Resource Planning system (Odyssey, see below). These actions will prevent any similar occurrence in the future.

6. Failure to submit semiannual report for the time period of July 2013 to December 2013. PTI 340-07B Special Condition VII.4; 40 CFR 63.1516(b); FGMACT-RRR

We have no record of our having completed this report. With respect to ensuring such milestones are met in the future, we cite our discussion in Item #5, above, and as otherwise described herein.

In summary, we request that allegations #1, #2 and #4 be combined, and that allegation #3 be dismissed, and we note that no harm to human health or the environment has been demonstrated. A summary of activities to address concerns and improve compliance follows.

Corrective Action

On March 2 we severed all ties between the former General Manager of Alloy Resources Corp and Port City Group. Mr. Jay Wigner, our Vice President for Corporate Administration, took over at Alloy Resources Corp until Mr. Flanagan's arrival on March 16. As planned in the weeks prior, Mr. Wigner immediately initiated a review of all compliance, operational and administrative activities, and the full incorporation of Alloy Resources Corp into Port City Group management systems. These activities accelerated upon Mr. Flanagan's arrival and continue to this day. The expansion of corporate oversight and control is the best means by which we can assure the demands of Part 55 and the Clean Air Act are achieved.



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A summary of our overall efforts follows. Most of these initiatives address in some way each of the points raised in the Notice of Violation, however some relate to a particular point (e.g., the new lime feed system).

Air Pollution Control Improvements for Alloy Resources Corp

Item	Date(s)
Compliance Stack Test	Samples collected January 14-16. Report March 19.
Incorporate Alloy Resources Corp into Port City Group Management Oversight & Review Systems. Includes structured monthly executive review, metric tracking and scoring system, and oversight by all corporate functions. Established Environmental Health and Safety programs.	Initiated March 2. Ongoing improvements. No end date.
Replace former ERP (RIMUS) with Odyssey. Odyssey is used by all of Port City Group for control and oversight of production (e.g., furnace throughput), operations (e.g., lime and flux use), financial, preventive maintenance, recordkeeping, quality control and information technology. Structured and staffed; checks and balances.	Initiated mid-February. Completed May 1. Ongoing improvements. No end date.
ARC Environmental Compliance Team. Includes ARC Plant, Operations, Superintendent and Maintenance, and PCG EHS, Quality, Executive and IT Managers. External expertise from TRC, Bergeson Technology Services, Viper Environmental System Designs, MD Instruments and others.	Initiated March 16. Accelerated efforts April and May. Ongoing. No end date.
ARC Personnel – new hires at all levels. Some terminations.	Initiated March 2. Ongoing.
TRC & Bergeson Compliance Analysis	Initial analysis April 2. Ongoing. Aggressive compliance planning for future upgrades.
Incorporation of ARC equipment and monitoring devices into PCG Calibration	Initiated March 19. Ongoing.



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System. Includes audits, upgrades, training and qualified specialists.	
Revised Daily Baghouse Preventive Maintenance Checklist	March Initiation. Ongoing.
Lime feed recordkeeping and preventive maintenance improvements and daily manual verification.	March Initiation. Ongoing.
Material use recordkeeping improvements	March Initiation. Ongoing.
New OM&M and SSM Plans	Issued April 16. Improvements in 2015 & 2016.
Hood and baghouse ventilation study, recommendations and ACGIH certification. Planning for future process upgrades.	Measurements April 7-8. Report April 10. Planning ongoing.
Compliance and Operations Training & Development of ARC staff and managers. Lead by Bergeson Technology Services.	Initiated April. Expected to continue into 2016.
Inspect and review all emission and operational monitoring devices by MD Instruments and other outside experts. Enhanced oversight and maintenance system established.	Systems review in March. Enhanced maintenance system initiated April.
Continuous Emission Monitoring System Improvements (early warning alarms, improved devices, recordkeeping, training, etc.)	Initiated March. Improvements expected to continue into 2016.
New Lime Feed System	Purchased. June installation.
Carbon Feed System, evaluation and testing	June installation/trials.
Full baghouse and ductwork upgrade assessment, including likely hood design revisions, additional dampers for flow balancing, options for higher flow rates and improved continuous cleaning operations	Initiated March. Improvements expected to continue through 2015 in support of process upgrades.
New PTI Application	May
Engineering tests	Summer 2015
Compliance stack test (test plan due 60 days prior)	Summer 2015



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We again emphasize our desire to fully cooperate and comply. We look forward to operating Alloy Resources Corp in a manner that meets all applicable environmental requirements.

We welcome further discussion. Please do not hesitate to call.

Sincerely,

Jerry Garman, MPH
EHS Coordinator

Attachment

cc: John Essex, CEO
Mark Pickett, President
Jay Wigner, Vice President, Corporate Administration
Dennis Flanagan, General Manager, Alloy Resources Group
Heather Reed, Quality & Environment Director