

Delaware River Basin Commission

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November 25, 2015

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Subject: Letter Agreement for Administration of Dam Removal and Mussel
Restoration Projects to be Performed in Accordance with the PPL
Martins Creek 2005 Ash Spill NRDA Consent Order and Agreement

Dear Sirs:

This Letter Agreement ("Agreement") establishes the roles and responsibilities of the Delaware River Basin Commission ("DRBC"), the Pennsylvania Department of Environmental Protection ("PADEP"), and the Pennsylvania Fish and Boat Commission ("PFBC"), respectively, regarding the administration of certain natural resource restoration projects required by the Consent Order and Agreement ("CO&A") for natural resource damages resulting from the 2005 Ash Slurry Spill from the PPL Martins Creek facility, located in Lower Mount Bethel Township, Northampton County, Pennsylvania. The CO&A, and by extension, the restoration projects covered by this Agreement, are based upon the Natural Resource Damage Assessment Report, entitled *PPL Martins Creek Natural Resource Damage Assessment – Environmental Assessment and Restoration Plan* ("NRDA Report") developed for the spill by PADEP in consultation with the New Jersey Department of Environmental Protection ("NJDEP"), PFBC and DRBC.

The natural resource restoration projects identified in the NRDA Report and CO&A are dam removals and mussel restoration projects. DRBC has agreed to function as the recipient and distributor of funds required by the CO&A to be expended for dam removals located entirely within the Commonwealth of Pennsylvania, and mussel restoration projects, which may be located in Pennsylvania and/or New Jersey (collectively referred to herein as "PA Project Funds"). The NJDEP will be the recipient and distributor of other funds required by the CO&A to be used for dam removals located entirely within the State of New Jersey. This Agreement does not concern dam removal projects to be located entirely within New Jersey or funds related to such projects. Those projects and funds will be administered under a separate agreement between PPL and New Jersey.

As the distributor of the PA Project Funds for dam removals, DRBC will enter into grant agreements with local watershed organizations or dam owners, which will assume lead roles in the removal of dams located within the Pennsylvania portion of the Delaware Basin. The watershed organizations or owners are expected to be responsible for all design, permitting, administrative and construction costs. DRBC staff will supervise performance under the grant agreements to ensure that the deliverables are carried out in a timely manner that is consistent with the CO&A terms. DRBC will provide quarterly progress and general accounting reports to designated staff at PADEP and PFBC, including keeping them informed of any delays or obstacles to performance. DRBC will receive an administrative fee for these services.

Summary of CO&A Terms for Restoration Projects to be Administered by DRBC:

1. Dam Removal Projects: The CO&A provides for dam removal projects to be undertaken in Pennsylvania but does not limit these to specific projects or any specific number of projects. Three dam removal projects in the Bushkill Creek Watershed (BK1, BK2 and BK3) have been identified as candidates. Two additional projects – removal of the Kerns Dam and Wehrs Dam on the Jordan Creek, a tributary of the Lehigh River – are also under consideration. The determination as to which projects ultimately will be undertaken will be made jointly by representatives of PADEP and PFBC, with DRBC as an advisor.
2. Mussel Restoration Project: The CO&A provides for a mussel restoration project to include either mussel transplantation from the main stem of the Delaware River into Delaware Basin tributaries, mussel propagation, or a combination of both transplantation and propagation. The mussel restoration project may include tributaries in both the Pennsylvania and New Jersey portions of the Delaware River Basin.

Details Relating to Pennsylvania Restoration Projects to be Administered by DRBC:

1. PPL's consultant, ARCADIS, developed cost estimates for the candidate Bushkill Watershed dam removal projects by considering the following ten cost categories:
 - Site Specific Studies
 - Mobilization and Demobilization
 - Site Preparation
 - Temporary Channel Access
 - Bank Stabilization
 - Erosion Control
 - Dam Demolition
 - Dam Material Disposal
 - Administrative and Permitting Costs
 - Design and other Preconstruction Costs

2. Estimated dam removal costs and agreed-upon PA Project Fund allocations for three targeted projects in the Bushkill Watershed are as set forth below. The balance available for an additional project (or projects) and the total allocation for dam removals also are shown:

| Dam | Estimated Cost | PA Project Funds Allocation | Owner |
|-------------------|-----------------------|------------------------------------|-------------------|
| Bushkill 1 | \$227,000 | \$227,000 | Lafayette College |
| Bushkill 2 | \$175,000 | \$175,000 | City of Easton |
| Bushkill 3 | \$142,500 | \$142,000 | City of Easton |
| TBD | TBD | \$197,000 | TBD |
| Dam Removal Total | | \$741,000 | |

3. PA Project Funds for Pennsylvania dam removals and a mussel restoration project are to be allocated as follows:

| Cost Category | PA Project Funds Allocation |
|-----------------------------|------------------------------------|
| Dam Removal Total | \$741,000 |
| 15% Dam Removal Contingency | \$111,150 |
| Mussel Restoration | \$50,000 |
| Administrative Fee – DRBC | \$50,000 |
| Grand Total | \$952,150 |

DRBC Responsibilities and Deliverables:

1. Advise the NRDA Team, consisting of PADEP, PFBC and NJDEP, regarding the selection and implementation of Pennsylvania restoration projects. Obtain the NRDA Team's approval of such projects.
2. Enter into grant agreements ("contracts") with watershed organizations or dam owners. Contracts in amounts not to exceed a combined total of \$741,000 will be developed

between the DRBC and each watershed organization or dam owner responsible for a dam removal undertaken in accordance with the CO&A. The contracts will include the respective responsibilities of DRBC and the grant recipient, a project timeline, public participation expectations, and final deliverables (i.e., dam removal within X years).

3. Enter into an agreement (or agreements) with partners for a mussel restoration project. The CO&A provides funds in the amount of \$50,000 to help re-establish mussel populations in tributaries targeted for dam removal (currently expected to include the Bushkill Creek in Pennsylvania and the Musconetcong River in New Jersey) or in other tributaries within the Delaware Basin that would benefit from mussel restoration. Mussel stocking is anticipated to be done by transplanting into the tributaries individual mussels collected in the main-stem Delaware River or by captive propagation and restocking of captive raised individuals. Partners may include, but are not limited to, the Partnership for the Delaware Estuary and Cheney University for captive propagation and the U.S. Geological Survey for mussel transplantation from the main stem. Other partners may be identified by the NRDA Team as either necessary or appropriate to ensure the success of the mussel restoration projects.
4. Monitor and supervise performance by contract organizations (watershed organizations or dam owners) responsible for implementing dam removal and partners responsible for implementing mussel restoration projects, respectively.
5. Provide quarterly progress and general accounting reports, including from contract organizations and their contractors, to PADEP and PFBC within the first calendar week of each calendar quarter.
6. Retain \$50,000 in PA Project Funds as an administrative fee to cover its expenses in administering contracts. DRBC advises that in order to keep administrative costs within this sum, candidate organizations or owners implementing dam removal projects should be experienced with such projects.
7. Notify PADEP and PFBC in writing of any change in the principal DRBC contacts for this matter. Unless and until DRBC otherwise notifies the PADEP and the PFBC, the DRBC contacts will be: Aquatic Biologist Erik Silldorff (ext. 253); Watershed Planning and Compliance Section Supervisor Chad Pindar (ext. 268); and for financial matters, Chief Administrative Officer Richard C. Gore (ext. 201).

PADEP Responsibilities:

1. Execute CO&A with PPL that provides the basis for this Letter Agreement.
2. Through participation on the NRDA Team, review and approve the selection of Pennsylvania restoration projects.
3. Review quarterly progress and general accounting reports from DRBC and watershed organizations or dam owners.
4. As a member of the NRDA Team, review and approve the allocation of funds for alternate restoration projects if unforeseen problems prevent completion of selected projects; the use of contingency funds (15%, or \$111,150); and the allocation of any funds that remain after all selected projects have been completed.
5. Participate in public information meetings or hearings and ribbon cutting ceremonies.
6. Review and approve the distribution of any leftover funds from dam removals or the mussel restoration project.
7. Notify DRBC in writing of any change in the principal PADEP contact for this matter. Unless and until DRBC is notified otherwise, the PADEP contact will be the Northeast Regional Clean Water Program Manager, at the address and telephone numbers set forth above.

PFBC Responsibilities:

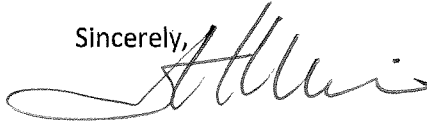
1. Execute CO&A with PPL that provides the basis for this Letter Agreement.
2. Through participation on the NRDA Team, review and approve the selection of Pennsylvania restoration projects.
3. Review quarterly Watershed Organization and DRBC progress and general accounting reports.
4. As a member of the NRDA Team, review and approve the allocation of funds for alternate restoration projects if unforeseen problems prevent completion of selected projects; the use of contingency funds (15% or \$111,150); and the allocation of any funds that remain after all selected projects have been completed.
5. Review and provide input on a mussel restoration project located within or partially within Pennsylvania.

6. Participate in public information meetings or hearings with DRBC and watershed organization representatives or dam owners as needed.
7. Review and approve the distribution of any leftover funds from dam removals or the mussel restoration project.
8. Notify DRBC in writing of any change in the principal PFBC contact for this matter. Unless and until DRBC is notified otherwise, the PFBC contact will be Mark Hartle, Chief, Aquatic Resources Section, PA Fish & Boat Commission, Division of Environmental Services, 450 Robinson Lane, Bellefonte, PA 16823.

This Letter of Agreement may be amended by the joint written approval of PADEP's Northeast Regional Clean Water Program Manager, the Executive Director of the PFBC and the Executive Director of DRBC.

The Commission looks forward to working with the Commonwealth and our other partners to ensure that the PA Project Funds are spent in a manner that provides the maximum possible benefit for the water resources of the Delaware River Basin.

Sincerely,



Steven J. Tambini

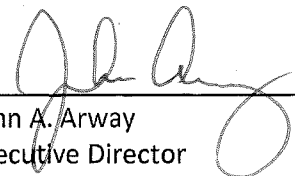
Accepted By:

FOR THE COMMONWEALTH OF
PENNSYLVANIA, DEPARTMENT OF
ENVIRONMENTAL PROTECTION:

FOR THE PENNSYLVANIA
FISH AND BOAT COMMISSION:

 2/26/16

Northeast Region Clean Water Program


John A. Arway
Executive Director