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July 2, 2004

Via Fax. No. 303-534-5036 and U.S. Mail

John S. Finn
Settner, Miller and Cohn, P.C.
Lawrence Street Center
1380 Lawrence Street, Suite 1000
Denver, CO 80204-2058

Re: New Horizons Environmental Consultants, Inc.

Dear Mr. Finn:

I am writing to respond to your letter of June 25, 2004. As you requested in the letter, the Colorado School of Mines has provided your client a notice of claim pursuant to §§ 13-20-802.5 (5) and 13-20-803.5, Colorado Revised Statutes, a copy of which is enclosed.

Under the Phase I contract, New Horizons agreed, among other things, to "Provide radionuclide field study and laboratory data of sufficient quality *to estimate the volumes of impacted material* that exceed background concentrations and/or tentative DCGLs [Derived Concentration Guideline Levels]." This requirement was set forth in the Characterization Survey Work Plan that was part of the School's Request for Proposal that is one of the contract documents. New Horizons specifically adopted this requirement in its Task Plan dated July 19, 2002. A common meaning of the word "estimate" is, "To calculate, approximately (the amount, extent, magnitude, or value of something)." American Heritage Dictionary, Third Edition (2000). A common meaning of the word "approximate" is, "Almost exact or correct." *Id.* Thus, the contract required New Horizons to calculate almost exactly (i.e., estimate) the volumes of impacted materials.

In an effort to comply with the contract requirement, New Horizons provided a Remedial Investigation/Field Study (RI/FS) report that contained so-called volume estimates of impacted materials. For example, in the chart appearing on p. 7-9 of the RI/FS, New Horizons estimated

that the site contained 500-1,000 cubic yards of soil in which the combined radium activity exceeded 15pCi/g. Under alternative 5B described in the RI/FS, New Horizons further estimated that it would take 40 to 80 truckloads to transport this material to a specialized waste facility.

Relying on New Horizons' purported estimate, the School selected alternative 5B as the appropriate alternative, in light of the relatively small amount of material, 500-1000 cubic yards, that needed to be transported to a specialized waste facility. The School also entered into a Phase II contract with New Horizons, to clean up the site pursuant to alternative 5B set forth in the RI/FS. Because the amount of soil to go to the special waste facility was relatively small, the School was willing to pay the high contract rates for removing and shipping the small amount involved. You are correct that on behalf of the School Mr. Havelick expressed satisfaction with New Horizons' work. However, as you know, he expressed satisfaction prior to discovering that New Horizons' volumetric and toxicity estimates were so erroneous as to render the alternative selected unworkable.

New Horizons' initial Phase II excavation work reveals that in fact New Horizons did not calculate almost exactly (i.e. estimate) the volume of material to be transported to a specialized waste facility. New Horizons has already excavated from the site in excess of 2,000 cubic yards of soil to be transported to the specialized waste facility in Idaho. In other words, there is already two to four times more soil excavated for shipment to Idaho than New Horizons calculated in its RI/FS. Moreover, as the amount of excavated soil continued to increase, New Horizons continued to revise its so-called estimate. New Horizons has most recently advised that it expects to excavate from the site at least another 1,000-3,000 cubic yards for shipment to the specialized waste facility in Idaho. Adding another 3,000 cubic yards to the 2,000 cubic yards already out of the ground would equal a total of 5,000 cubic yards of soil to go to the specialized waste facility in Idaho. Thus, based on New Horizons' latest information, there is potentially five to ten times more soil destined for the specialized waste facility than the 500-1,000 cubic yards that New Horizons stated as its estimate.

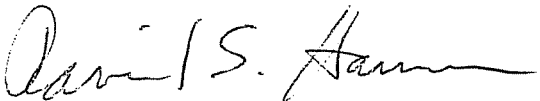
Although New Horizons was contractually obligated to estimate volumes of impacted soil, New Horizons did not do so and instead provided a wild guess. This constitutes a material breach and default of New Horizons' contractual obligations. The School did not hire New Horizons to just guess.

The consequences of New Horizons' guesswork are dramatic. The School does not have the funds to clean up the site in a way that would involve transporting 2,000 cubic yards of soil at the expensive contract rate to the specialized waste facility in Idaho, let alone transporting thousands more cubic yards to Idaho. In the present state of affairs, the 2,000 cubic yards constitute a detriment to the School. At the meeting on June 23, the School asked New Horizons to begin helping out by agreeing to re-do the volume "estimates" set forth in the RI/FS so that the School could begin to re-evaluate its options. New Horizons agreed to provide a proposal in this regard. Rather than providing any such proposal, New Horizons' June 25 letter demands payment for its defective work prior to providing any assistance, and New Horizons further demands that the School pay New Horizons to remedy its breach. The School is not obligated to pay New Horizons for its defective work or for the consequences of its defective work.

At the meeting on June 23 and in its letter of June 18, the School expressed a genuine desire to work out an amicable solution. In response, you have requested that my client give notice of its claim in a form necessary to pursue litigation, and your client has failed to offer any solution to the problem created by the School's reliance on your client's Phase I work. We hope you and your client will reverse course and assume a more cooperative approach. Kindly let us know your intentions.

The School and I are continuing our investigation, and this letter is not intended to specify all legal theories, facts, or claims arising out of this matter.

Sincerely,



David S. Harmon

enc.

cc (w/enc.): Linn Havelick
Anne Stark Walker
Maki P. Iatridis
Bud Withrow
Gulf Insurance Co., (Bond No. BE26240089, Insurance Policy No. GU7119917)
Robert B. Collins, Westchester Fire Insurance Co. (Bond No. K07056866)