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January 5, 2001

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Enforcement Counsel
U.S. Environmental Protection Agency
One Congress Street, Suite 1100 (SEL)
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Re: **In The Matter of: Aerovox Facility, New Bedford, Massachusetts; Administrative Order on Consent, U.S. EPA Region I, RCRA Docket No. RCRA-1-99-00054 ("the Order on Consent")**

Dear Tom and Eve:

This correspondence documents the reasons for rescheduling Aerovox's payment into the Demolition and Relocation Trust Agreement ("the Trust Agreement") from December 31, 2000 to June 30, 2001.

Background

Aerovox and the EPA entered into the Order on Consent on December 2, 1999, relating to the presence of PCBs at the Aerovox manufacturing facility at 740 Belleville Avenue, New Bedford, Massachusetts. Among other things, the Order on Consent outlined the tasks and timeline associated with abandoning the building, cleaning salvaged equipment, and demolishing the site at a later date. Additionally, the Trust Agreement specified a formula for funding the required work. The funding formula requires Aerovox to deposit \$200,000 into the trust account on December 31, 2000.

Activity To-Date

Aerovox has complied fully with the Consent Order and Trust Agreement through December 30, 2000 as demonstrated by the following activities:

- Deposited \$750,000 into the Trust Account on January 31, 2000

- Filed all financial and operational reports as required by the Consent Order
- Constructed of a new facility in New Bedford (completed in July 2000 at a cost of \$11 million)
- Cleaned approximately 700 pieces of manufacturing equipment in accordance with EPA guidelines, including all required lab analyses and recleaning, as necessary, at a cost of approximately \$1 million
- Relocated all manufacturing lines and all but ten people to the new facility at a cost of approximately \$500,000 (remaining personnel will be relocated with the closing of the old facility)
- Work has started on closing the old facility, which includes all security measures as defined in the Consent Order plus the conversion of the fire sprinkler system to a dry system at a cost of approximately \$300,000 (completion is on schedule to meet the Consent Order deadline)

In addition to the above expenses, Aerovox incurred the following nonrecurring expenses as a result of the move:

- Cost to finance and build approximately \$5 million of inventory to ensure interrupted deliveries to our customers during the move
- \$500,000 to troubleshoot and correct problems related to new production equipment and processes required for the new facility (as noted in the October 17, 2000 press release concerning the Company's third quarter results)
- Approximately \$2 million related to inefficiencies and startup costs after relocating the manufacturing lines to the new facility (incurred in September, October and November)

Current Situation

As a result of the above costs, which were more than \$2 million above our original expectation, Aerovox exhausted its lines of credit in October and has been forced to rely heavily on its vendor base to bridge the cash shortfall. [That is, the banks have refused to lend Aerovox additional funds at this time and we must obtain relief from our vendors in order to continue operations.] It is critical that the Company maintains a reasonable flow of payments to its trade vendors over the next several months to keep customer service at expected levels and ensure the Company's long-term viability.

We estimate that the cash shortage will dissipate within four to six months allowing the Company to return to historical performance regarding its trade payables and generate unused borrowing capacity for normal operations.

It is in the interest of Aerovox and its obligations regarding the 740 Belleville Avenue site that we request your approval to reschedule the \$200,000 payment into the Trust Account, due December 31, 2000 to June 30, 2001. At that time, we will deposit an additional \$25,000, for a total deposit of \$225,000, an effective annual interest of over 20%.

U.S. Environmental Protection Agency

January 5, 2001

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If you need additional information, please give one of us or Coke Cherney a call. If you believe a meeting would be helpful, we are available to come to Boston next Tuesday or Wednesday. Thank you for your consideration. We look forward to hearing from you.

Sincerely,



Robert D. Elliott, President & CEO



F. Randal Hunt, Sr. Vice President & CFO

Encl.

10-Q for 3Qtr. 2000

Press Release

cc: C. Cherney – Ropes & Gray