SMURFIT-STONE

Smurfit-Stone
Container Corporation
Panama City Mill
1 Everitt Ave.
Panama City, FL 32401
850-785-4311
850-763-8530 fax

February 27, 2008

Florida Dept. of Environmental Protection
Bureau of Air Regulation
2600 Blair Stone Rd, MS #5505
Tallahassee, FL, 32399-2400

Re: Kiln Scrubber pH Testing Protocol
Permit No. PSD-FL-388
Project No. 0050009-028-AC

Dear Sir or Madam

This "Kiln Scrubber pH Testing Protocol" is submitted in accordance with paragraph A.15 of the above permit, which requires the following:

1. SO2 Stack Testing Methods:
We propose to use the following EPA methods
SO2: EPA method 6 or 6C
Traverse points, velocity, flow rate, gas analysis & moisture content: EPA methods 1-4

2. Baseline Conditions
The kiln will be at full production, burning the maximum attainable petcoke heat input.

3. pH monitoring methods and frequency
We will use a standard in line pH probe. The output will be sampled continuously (a minimum of once every 15 minutes), and recorded in the "process interface" system.

4. pH adjustment
We will start the test by dumping the scrubber and refilling it with water. This will represent the lowest pH that we will be able to attain during normal operation. We will then immediately commence a SO2 stack test. If the test indicates compliance, the average pH recorded during the three hour test will become our minimum three hour average value. If the results are higher than the allowable, we will retest at a higher pH. This higher pH will depend on how close to passing the first test was. If the first test was close, within 2 lbs/hr of the limit, we will raise the pH by a half standard pH unit and retest. Otherwise we will raise it a full pH unit. The pH in the kiln scrubber will tend to climb as caustic material is recovered from the gas stream. We will control this by using fresh water makeup.
We will continue the above process until compliance is achieved.

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5. Schedule
These tests will be conducted within 60 days of attaining maximum petcoke heat input.

Please contact me at (850) 785-4311 x470 if you have additional questions.

Sincerely

Tom Clements
Environmental Mgr.

Shared/envdata/petcoke/FDEP scrubber pH plan

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February 20, 2008

Ms. Trina Vielhauer
Chief, Bureau of Air Regulations
Florida Dept. of Environmental Protection
2600 Blair Stone Rd, MS #5505
Tallahassee, FL, 32399-2400

Re: Smurfit-Stone Panama City Mill
Permit To Burn Pet Coke To Displace Fuel Oil
Permit No.: PSD-FL-388

Dear Ms. Vielhauer

We appreciate the time that you made available to us for our conference call of February 15, 2008. The purpose of this letter is to describe our plans forward on the above issue and to give the Department an opportunity to comment on and concur with those plans. As discussed during the call, the Department has issued an air construction permit allowing the mill to burn pet coke in an existing lime kiln, thereby significantly reducing the use of fuel oil. The FDEP issued permit for this project requires that the mill install NOx and stack gas flow monitors on the kiln. We have a serious concern about, and have not seen evidence to support, the Department's view (which is based on use of such monitors in the cement industry) that the stack gas flow monitor the Department is requiring is a proven technology for pulp and paper industry lime kiln stacks equipped with scrubbers. We have previously explained the conditions in our kiln that may make operation of a stack gas flow monitor inaccurate and unreliable, and these are not restated here.

As a matter of corporate policy, we cannot risk installing a system that will not guarantee full compliance with our Title V permit. It is possible that after a period of alteration, adjustment, and tuning the stack gas flow monitor "may" meet the RATA criteria and may be able to operate reliably with sufficient uptime to satisfy the Department; however, this has not been demonstrated. Given the significant uncertainty about the monitor's operation, unless the permit is revised or we can agree on another approach to allow for the possibility that the monitor will not operate as needed, we would be exposed to a significant period of non-compliance if we begin to burn pet coke and then determine that the flow monitor cannot operate reliably. To resolve this uncertainty, we are asking the Department to consider two options as described below:

Option 1

Obtain agreement with the Department, either by letter or permit modification, that if, after we start burning pet coke, the stack gas flow meter does not repeatedly pass RATA testing or otherwise fails to operate reliably despite our good faith efforts over a predetermined period of time, e.g. 6 months (which would of course include installation, operation and maintenance of the flow gas monitor to manufacturer's recommendations), the mill would stop burning pet coke and the Department would not take any enforcement action associated with the failure of the monitor.

Option 2

Install and begin operating a NOx CEMS with a stack gas flow monitor before burning pet coke. If the flow monitor cannot repeatedly pass RATA testing within a predetermined period of time, e.g. 6 months, or otherwise cannot operate reliably prior to burning pet coke, we would not burn pet coke under the current permit and would remove the NOx CEMS in its entirety. This should not be a permit issue since the NOx CEMS requirement is contingent upon burning pet coke per Condition 2 of Appendix F: "*Timelines: The owner or operator shall install each CEMS required by this permit and conduct the appropriate performance specifications for each CEMS no later than 180 calendar days after initial startup on petcoke.*" If pet coke is never burned, this monitoring requirement would never become effective. We anticipate that if the monitor functions acceptably before burning pet coke, this will continue to be the case afterward. However, since there is no operating experience in our industry for this application, we would again wish to reach an understanding with the Department about how to address problems with the accuracy or reliability of the monitor that become known after we begin burning pet coke.

Since this would be the first installation of its kind, we would appreciate the opportunity to work closely with the Department and give the monitor every opportunity to succeed. We believe that the two options outlined above are reasonable and fully consistent with the Department's stated goal of "pushing technology forward." Either would allow us to work with the Department to determine if an unproven technology will work while avoiding an unintended and unavoidable violation of the construction permit. We are fully willing to consider any other options to resolve this that the Department may suggest.

We also request that the Department approve the use of Methods 2G and 2H in determining the relative accuracy of the stack flow monitor as required by the vendor as a condition of their limited guarantee. If the monitor fails to work adequately, Teledyne-Monitor Labs will guarantee the cost of the Teledyne UF150 instrument itself, but not the cost of the installation or testing. Teledyne has conditioned its guarantee on the use of Method 2G and Method 2H. Method 2G uses a "Null Method" to determine off-axis flow and is reportedly superior to Method 2. Method 2H is a methodology which determines the flow conditions within the boundary layer of the stack. Since we are required to give notice of the testing and submit an

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extensive CEMS Operation Plan for approval, we believe there are adequate safeguards if we use the alternative methods.

Since this will be an effort to demonstrate that the flow monitor can be used for this application, we also invite the Department to participate in testing the CEMS, either using its own team or jointly observing the tests.

Given our company's investment to enable the kiln to burn pet coke, we have a great incentive to make the CEMS work. However, our company is committed to ensuring complete compliance and wants to coordinate and work with the Department so there will be no noncompliance issues or questions regarding our installation, operation, or testing of the CEMS.

Because of the importance this matter is to our company, we would like to request a meeting with yourself and Mr. Kahn as soon as possible to discuss this matter further and reach an agreement on how to proceed to ensure that we remain in full compliance while the CEMS is installed, operated, calibrated, and tested to the satisfaction of all.

If you have any questions or concerns, please contact Tom Clements at (850) 785-4311 x470 or tlclements@smurfit.com.

Sincerely

Bobby Sammons

Bobby G. Sammons
General Manager