



PENSACOLA MILL
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December 4, 2012

Mr. Sayed Arif
Florida Dept. of Environmental Protection
Office of Permitting and Compliance
2600 Blair Stone Road
M.S. 5500
Tallahassee, Florida 32399-2400

RECEIVED

DEC 06 2012

DIVISION OF AIR
RESOURCE MANAGEMENT

Re: Proposed Project at the International Paper Company Pensacola Mill, Escambia County

Dear Mr. Arif:

The Florida Department of Environmental Protection (FDEP) issued Air Construction Permit No. 0330042-012-AC to the International Paper (IP) Pensacola Mill (Mill) on November 20, 2006. This air construction permit covered the Mill's proposed reconfiguration project referred to as Project Onyx. The permit allowed for physical changes to the Mill's pulping operations to utilize 100% softwood and to manufacture new un-bleached product. The permit included a new, reduced annual limit on total pulp production that the Mill had proposed in order to insure that the project would not trigger the major New Source Review (NSR) air permitting rules for the Prevention of Significant Deterioration (PSD).

Due to the integral nature of the Kraft pulp process, the pulp production limit translated into an annual black liquor solids (BLS) generation rate that was lower than historic actual BLS generation rates at the Mill. This was possible due to the process changes that were included in the project that resulted in lower BLS generation per ton of pulp produced. As a result of limiting the amount of annual pulp production and maintaining BLS generation at levels below those actually achieved, the Mill's chemical recovery area sources were not affected by the Project Onyx changes. Keeping the recovery area sources, including the Mill's two recovery furnaces (R1 and R2) and associated smelt dissolving tanks (SDT1 and SDT2), from being affected by the project ensured that the project did not result in emissions increases that exceeded the PSD significance levels.

The Project Onyx changes were completed and the modified facility began operating in September 2007. The Mill currently operates pursuant to FDEP Title V Operating Permit No. 0330042-016-AV which was recently renewed on September 12, 2012. The Title V Operating Permit includes the overall pulp production limit established in the November 2006 Project Onyx construction permit. The Mill has maintained production below the limit and has tracked the project emissions to verify that PSD was not triggered. Based on actual facility operations and emissions testing results following the implementation of the Project Onyx changes, the facility has now determined that:

1. The overall actual post-change emission rates for the emissions units included in Project Onyx are less than the conservative projections used in the project air permitting, and
2. By eliminating the annual pulp production limit established in the Project Onyx air construction permit, the Mill could achieve additional production with no physical changes required for the Mill's pulp manufacturing equipment.

Similar to the recovery area sources, the Mill's power boilers were not affected by the Project Onyx changes. The Mill has recently determined that reducing and limiting the amount of coal fired in the existing No. 3 Power Boiler is now an economically viable option. Taking a limit on the amount of coal that the boiler could fire would potentially generate actual emission reductions from baseline period operations. The potential availability of these emission reductions has resulted in a re-evaluation of the Mill's current pulp production limit to determine if that limit could be increased. The logic for potentially gaining such an increase is that the actual emission reductions that would result from taking a federally enforceable restriction on the amount of coal that can be fired in the No. 3 Power Boiler could be used in a PSD netting analysis for an air permitting action that revised and increased the existing pulp production limit.

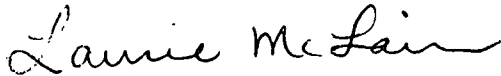
Representatives of the IP Pensacola Mill met with Regional Pensacola FDEP air staff on November 1, 2012 to present the concept for a boiler limitation and pulp production increase project. At the time of the meeting, the Mill was contemplating the total elimination of coal firing in the No. 3 Power Boiler. However, subsequent to the meeting IP reevaluated maintaining the ability to fire a limited amount of coal in the boiler and that is the approach now being considered. In addition, a number of items regarding the proposed project were raised and considered during the meeting, and the Pensacola FDEP staff concluded that IP should prepare this summary letter for review by the FDEP Tallahassee air permitting staff. The following items associated with the proposed project were identified for which FDEP feedback and/or concurrence is requested:

- o That using the actual emissions reductions gained by establishing a federally enforceable limit on the amount of coal that can be fired in the No. 3 Power Boiler in the future, in a netting analysis to increase the Mill's existing production limit while avoiding PSD applicability, is an acceptable approach to permitting the project.
- o That as a result of the interrelationship between pulp production and BLS generation, combined with the inclusion of the recovery area sources in the proposed project, the future Mill production limit be based on the BLS generation and/or firing rates for the recovery furnaces rather than pulp production.
- o Historic Mill emission rate data previously reported to FDEP may require amendment to address pollutants not previously reported such as condensable particulate matter (CPM) and fine PM fractions, to utilize more representative emissions data or factors developed by U.S. EPA, the National Council for Air and Stream Improvement (NCASI), or derived from testing, and for other justifiable reasons that will be detailed in the project air permit application.

- The baseline period for all of the regulated NSR pollutants included in the project will be the 2003/2004 calendar year period, consistent with the original Project Onyx application for all pollutants except PM and PM10 for which 1998/1999 were used as the baseline in Project Onyx.
- There have been no projects at the Mill since the implementation of Project Onyx in 2007 that resulted in emissions changes that would be considered contemporaneous with the proposed project.

IP is proposing that subsequent to FDEP review of each of these items, a follow up meeting between Pensacola Mill representatives and appropriate FDEP staff be arranged to discuss any Agency conclusions and recommendations. Since the Mill already has the ability to increase production with no physical changes required, the timing of the air permitting for the proposed project is critical for Mill planning and viability. IP proposes that, pending FDEP concurrence with the proposed air permitting approach, a complete air construction permit application will be submitted for agency review by early January, 2013. With this schedule in mind, a meeting with Tallahassee staff in December to review the items outlined above would be of critical importance. Please contact me at 850-968-4287 if you have any questions.

Very truly yours,
International paper Company



Laurie McLain
Environmental Engineer

CC: Rick Bradburn
Armando Sarasua