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**PENSACOLA WASTEWATER
PROJECT TEAM**

March 28, 2011

Water Facilities Administrator
Florida Department of Environmental Protection
Northwest District
160 Governmental Center
Pensacola, FL 32502-5794

Deputy Chief, Water Division
ADEM
Post Office Box 301463
Montgomery, Alabama 36130

Re: 1st Quarter 2011, Wastewater Project: Consent Order OGC File No. 08-0358

Pursuant to the consent order -- Part 1, 14(h) (i) -- provided below is a quarterly report outlining progress on International Paper's Wastewater Project through the first quarter of 2011.

Summary:

Pipeline installation is more than 55% complete with over 27,000 ft of pipe installed. The effluent distribution system is near completion and over 150,000 trees have been planted behind the berms on constructed planting islands. The upgrades to the mill's wastewater treatment system are on target to be completed by summer 2011. Land management activities have included prescribed burns as part of our mitigation efforts within the conservation easement.

Overall, the project remains on schedule to meet all of the completion dates outlined in the Consent Order.

1A: Modification to the Existing Industrial Wastewater Treatment Facility:

The upgrades to the mill's wastewater treatment system include the conversion of pond # 3 from a settling pond to a secondary clarification system, the conversion of pond #2

from a settling pond to a storm surge basin, the installation of a pH control system, the addition of aerators and mixers to pond # 1, and the installation of a mix box and other structures that will allow effluent to flow into a 48" pipeline for conveyance to the effluent distribution system.

- Pond # 3: The dredging of pond #3 began in early third quarter and is now complete. The structural foundation and walls are approximately 95% complete. We expect to install the automatic dredges in April and place pond 3 into operation during the second quarter.
- Pond # 2: The dredging of pond #2 was initiated in November, following the completion of pond #3, and is now completed. .
- Pond #1: All additional aerators and mixers are installed and the outfall structures required to redirect flow from pond #2 to pond #3 are complete.
- Mix box: Construction of the mix box to capture and direct flow from the treatment system into the pipeline is complete.
- The pH control system is targeted to be completed in May. The storage tank is in place and piping is scheduled for completion by the end of April.
- The polymer tank for supplemental treatment will be relocated in May.

1b: Construction of the Effluent Transmission Pipeline

By the end of the 1Q, 2011, over 27,000 feet, or about 55% of the total 50,200 feet of ductile iron pipe, will have been installed. Three highway crossings -- Mobile Highway, Nine Mile Road and I-10 -- have now been successfully completed without incident. All three crossings were made using a jack and bore method (see attached map that reflects the progress made).

Currently the pipe-laying project is approaching Devine Farm Road where a tunnel will be bored under approximately 1200 feet of roadway and the pipeline installed within the tunnel. Beyond this point, our plan is to install the pipeline along Highway 97 and under Highway 297A during the summer vacation season when school is out so as to minimize traffic disruption. From this point the pipe will be installed in the corridor adjacent to Elevenmile Creek toward the mill as part of the final leg.

The area adjacent to the public landfills has been temporarily bypassed in order to revisit the design and to engineer an above-ground crossing while still maintaining the hydraulic gradient, so critical to maintaining maximum gravity flow.

Two public meetings were held this quarter to allow neighbors to meet the project team, and to learn more about the construction activities planned for their residential area. More importantly, the forum provides an opportunity for IP and contractor personnel to answer any questions or concerns the neighbors may have. A video was made by Garney Construction Company to showcase the different activities on the project site, taking viewers through the process of pipe installation from start to finish. Residents also were able to view a slideshow compiled by International Paper that showcases the pipeline corridor, wetland construction methodology, and goals for the project.

Three public meetings have been conducted since the project began last summer. These were set up in an open-house format to make it convenient for neighbors and to provide one-on-one interaction with the project team. Overall, attendance has been good and comments have been positive.

1c: Construction of the Effluent Distribution System

SFC has completed the construction of almost 6 miles of earthen berms and has installed the flow-through structures designed to control and distribute the treated effluent over the wetlands site. Also, the planting islands – or hummocks -- that will serve as platforms for tree plantings have been constructed within the proposed inundation areas. As of the end of March the site is ready to receive water.

1d: Long term Monitoring Plan and Land Management Practices

The monitoring plan is based on the "Framework for Monitoring Perdido Bay, Elevenmile Creek, and the Effluent Distribution Wetlands," (Livingston et al., 2004). The baseline portion of this plan was conducted from July 2005 to August 2007 and the results of these investigations were reported by Livingston (2007) and Nutter & Associates (2008) and submitted to the Department.

A report entitled "2010 Elevenmile Creek Biological and Water Quality Report," dated January 26, 2011 was submitted to the Department with copies to the Alabama Department of Environmental Management. The report presents data collected as part of the monitoring program outlined in the permit under condition I.E.4.b.2. The monitoring program which includes Elevenmile Creek and Coffee Branch documents the ecological conditions in advance of project start-up as part of a baseline reference.

Per permit condition I.E.3., a pre-discharge monitoring of the biological community within the wetlands site of the effluent distribution system was conducted in January of 2011 by Nutter and Associates. The monitoring consisted of benthic macroinvertebrate and periphyton community assessments. A report of findings will be issued at a later date under separate cover.

Per permit condition 1.E.11, a fish tissue study plan for ambient fish and shellfish tissue in the receiving waters of Elevenmile Creek and Perdido Bay was submitted to the Department for review and approval in the first quarter, (Mike Steltenkamp, March 7, 2011).

Other reports submitted during this period include a Semi-Annual Progress Report (Mike Steltenkamp to Terri Berry, December 29, 2010) per Specific Condition #5 of the Wetlands Resources Permit #17-0207101-002 DF.

Land Management

Forestry and wildlife management activities as prescribed in Nutter and Associates' land management plans for the wetted effluent and mitigation areas during the construction phase of the project are well underway. A summary of the important work that has transpired over the first quarter of 2011 is described below.

Wetted Effluent Area:

- Approximately 15,000 earthen planting islands have been constructed in the permanent inundation areas (1' to 3' depths) behind the control berms. Tree planting atop these earthen islands began on March 16, 2011 and to date a total of 151,698 seedlings have been planted. Additionally, the wetlands temporary impact areas in the pipeline corridor south of Mobile Highway have been planted. Special care is being taken by the tree planters to insure a diverse mix of species across the wetted effluent site and through the restored wetlands areas of the pipeline corridor. These seedlings include the following species: Pond Cypress, Bald Cypress, Tupelo Gum, Swamp Black Gum, Green Ash, Overcup Oak, Swamp Chestnut Oak, Water Hickory, Red Maple, Slash Pine, Carolina Ash, Buttonbush, and Myrtle-leaf Holly.
- In the early spring of 2011, an irrigation system (as allowed under a water consumptive use permit issued by the Northwest Florida Water Management District) was installed to access water from Elevenmile Creek. Water from the creek is being pumped to the wetted-effluent areas to hydrate the newly-planted tree seedlings and thus enhance tree survival rates.
- An invasive species survey will be conducted in April, 2011 to identify any occurrences of undesirable and invasive vegetation. Locations will be recorded and plotted using GPS coordinates and an eradication plan will be developed and immediately implemented.

S2 Habitat and Conservation Easement Mitigation Area:

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- A prescribed burning program is being implemented in each area of the mitigation tract. As of March 16, 2011 a total of 455 acres have been prescribed burned. (See attached Map.) The burned areas are generally along the western and northern perimeter of the Conservation Easement area – along Hurst Hammock Road and south of Oaks Road. Plans are to burn these same areas for two consecutive years or until the warm-season grasses become established and the longleaf planting can occur.
 - Restoration of 3.41 miles of the 2001 wildfire fire lines has been completed. The efforts focused on restoring the grade to pre-existing conditions and restoring the natural sheet flow across these areas. The final hydrological restoration activity will be the removal of Cattle Gap Road, scheduled to take place in 2014.
 - A detailed land management plan has been developed and submitted to FDEP for the mitigation tract required by the Wetlands Resource Permit. The boundaries of this area have been surveyed and identification signs have been posted. The initial shrub reduction work has been completed utilizing a gyro-trac operation to minimize adverse land impacts. Disked fire lines have been established and a prescribed burn will be executed during the 2010-11 dormant season.
 - An invasive species survey has been made and the known Chinese Tallow tree and Cogon grass locations were treated in October and November of 2010. Follow-up inspections will continue to be conducted, the next one planned to take place in April, 2011. Further eradication treatments will be implemented as required.
 - Careful planning of the prescribed burning plan is insuring the preservation and creation of suitable wildlife habitat. By executing a patchwork of burned and unburned areas leaving nesting/cover areas adjacent to burned areas the various native wildlife species will benefit. Prescribed during the wild turkey nesting season (March through May) will occur only on those areas that have been surveyed for nests and found to be unoccupied.
 - Security monitoring of the mitigation tract during this busy construction phase is taking place almost on a daily basis. “No Trespass” signage has been posted around the perimeter of the entire Conservation Easement area.

Please contact me at 850-937-4868 should you have any questions or comments.

Sincerely,



Mike Steltenkamp
Project Manager

cc:

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 EFFLUENT PIPELINE AND DISTRIBUTION SYSTEM PROJECTS
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 STATUS MAP - 3/22/11

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