



Jeb Bush
Governor

Department of Environmental Protection

Marjory Stoneman Douglas Building
3900 Commonwealth Boulevard
Tallahassee, Florida 32399-3000

David B. Struhs
Secretary

August 20, 2002

Mrs. Marsha B. Denton, C.F.E.
Office Operations Supervisor
Putnam County Property Appraiser's Office
Post Office Box 1920
Palatka, Florida 32178-1920

Re: Account 82138 Georgia Pacific

Dear Mrs. Denton:

Based on a review of the material attached to your letter of June 11, 2002, concerning Georgia Pacific's Return of Pollution Control Devices including a review of the July 11, 2002, letter from Mr. Brian Perry of Georgia Pacific and a review of DEP records I have revised my opinion on the eligibility of the Bleach Plant. In my opinion the following items of equipment are "primarily for the purpose of pollution control" and are eligible for assessment as pollution control devices pursuant to §193.621, Florida Statutes:

2001

25829520001B	Bleach Plant – ClO ₂ Generator
25829520001C	Bleach Plant – Pulper (both)
25829520001D	Bleach Plant – Unbleached Storage Area (both)
25829520001E	Bleach Plant – Utility Bridge

2002

258-29520012001S Bleach Plant

If there are any questions on this determination, please contact me at (850) 4⁶⁷~~97~~-0472.

Sincerely,

Hamilton S. Oven
Hamilton S. Oven, P.E.



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August 20, 2002

Mrs. Marsha B. Denton, C.F.E.
Office Operations Supervisor
Putnam County Property Appraiser's Office
Post Office Box 1920
Palatka, Florida 32178-1920

Re: Seminole Electric Cooperative

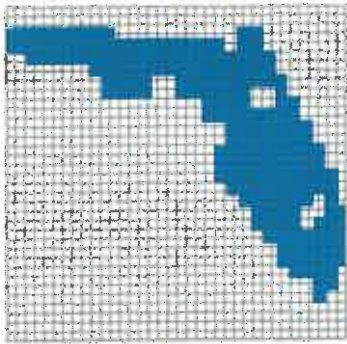
Dear Mrs. Denton:

I have reviewed the material attached to your letter of August 16, 2002, concerning Seminole Electric Cooperative's Return of Pollution Control Devices including the material provided Burns and Roe, Inc. In my opinion most of the items of equipment described in "A Report on Pollution Control Equipment Pursuant to Subsection 193.621(1) Florida Statutes - are "primarily for the purpose of pollution control " and are eligible for assessment as pollution control devices pursuant to §193.621, Florida Statutes. In my opinion two equipment categories do not comply with the "primarily for the purpose of pollution control" test. Item 3.14 - 314-12 Circulating Water System and Item 3.15 - 314-13 River Water System are not pollution control systems. They provide a cooling mechanism to make the steam cycle operate efficiently and thus enable the plant to generate electricity efficiently. The plant would require larger pumps and pipes to operate if there were no cooling tower. The cooling towers are a pollution control device.

If there are any questions on this determination, please contact me at (850) 497-0472.

Sincerely,

Hamilton S. Oven
Hamilton S. Oven, P.E.



PUTNAM COUNTY PROPERTY APPRAISER

P.O. BOX 1920 • 323 ST. JOHNS AVENUE • PALATKA, FLORIDA 32178-1920
PALATKA: 386-329-0286 • FAX: 386-329-0447 • SUNCOM: 860-0286 • TOLL FREE: 1-800-826-1437
CRESCENT CITY: 386-698-4284 • INTERLACHEN: 386-694-3383
Website: www.co.putnam.fl.us/appraiser • Email: appraiser@co.putnam.fl.us

LARRY PRITCHETT, C.F.A.
Property Appraiser

SHARON PRESTON, C.F.E.
Administrative Assistant

August 16, 2002

DEPARTMENT OF
ENVIRONMENTAL PROTECTION

AUG 19 2002

SITING COORDINATION

Mr. Hamilton Oven, P.E.
Department of Environmental Protection
Twin Towers Office Building
2600 Blair Stone Rd.
Tallahassee, FL 32399

RE: Seminole Electric Coop.

Dear Mr. Oven:

Enclosed you will find the Return of Pollution Control Devices for the above referenced accounts in our county.

Would you please review this information and advise me as to what qualifies for assessment as pollution control devices under Section 193.621, Florida Statutes. I have highlighted the additions for 2002. If you need any additional information, let me know. Thank you for your assistance.

Sincerely,

(Mrs.) Marsha B. Denton, C.F.E.
Office Operations Supervisor

OUR COMMITMENT TO YOU . . .

We in Putnam County are a team of public employees who provide services to help meet the needs of our citizens. We are committed to continuous improvement and greater participation by everyone. We will deliver our services in a meaningful, respectful, and courteous manner. We will do this now and in the future to preserve and enhance the quality of life in our community.



Georgia-Pacific Corporation

Georgia-Pacific Corporation
c/o Tax Department
133 Peachtree Street NE (30303)
P.O. Box 105681
Atlanta, GA 30348-5681
Telephone (404) 652-2670

TAL

July 11, 2002

Mr. Hamilton S. Oven, P.E.
Department of Environmental Protection
Marjory Stoneman Douglas building
3900 Commonwealth Blvd.
Tallahassee, FL 32399-3000

DEPARTMENT OF
ENVIRONMENTAL PROTECTION

JUL 16 2002

CITING COORDINATION

Re: Property Owner: Georgia-Pacific Corp.
Acct. #: 821328
Pulp & Paper Mill

Dear Mr. Oven,

Below is a list of the asset additions that were approved last year. The pulper and unbleached storage area was inadvertently listed twice on the previous letter.

Item	Cost	Acq Date	Description
25829520001B	\$ 21,362,914	000930	ECF BLEACH PLANT - CLO2 GENERATOR
25829520001C	\$ 2,465,580	000915	ECF BLEACH PLANT - PULPER
25829520001D	\$ 4,057,164	000915	ECF BLEACH PLANT - UNBLEACHED STORAGE AREA
25829520001E	\$ 3,185,021	000915	ECF BLEACH PLANT - UTILITY BRIDGE

Below are the additions for the 2002 tax year. Again, the project is associated with EPA cluster rule requirements.

Item	Cost	Acq Date	Description
258-29520012001S	\$34,550,189	010215	BLEACH PLANT

New EPA guidelines promulgated by the EPA and adopted by the Florida DEP called the Cluster Rule.

(letter ruling)... The Environmental Protection Agency ("EPA"), after several years of study, issued a draft rule in 1993 commonly known as the "Cluster Rule." The term "cluster" refers to the two media or areas, water and air, regulated by the rule. The **Cluster Rule stresses the prevention of pollution, as well as the treatment of pollution**, in manufacturing processes. The Cluster Rule was in large part made final in April 1998.

The Florida Department of Environmental Protection ("DEP") implements and enforces the standards, rules, and regulations of the EPA within the State of Florida. The Taxpayer submitted applications for required permits with the DEP and, to this date, has received final permits on all but one of its applications.

The facility previously used elemental chlorine in the bleaching process that produced pollutants unacceptable under the new guidelines of the Cluster rule i.e. chlorinated pollutants such as chloroform, dioxin, and furans. Even though these assets are part of the manufacturing process, it was necessary to construct new bleaching facilities that are **elemental chlorine free** in order to eliminate or reduce industrial air or water pollution. This is consistent with the Cluster Rule preference mentioned above of preventing pollution rather than merely treating pollution.

(letter ruling).... *The Cluster Rule also contains new standards for the bleaching process.* Paper mills must reduce the pollutants in the wastewater discharged during the bleaching process. Thus, the wastewater, as produced, must contain lesser amounts of pollutants than was previously the case.

The new standards must be met by April 16, 2001. The Cluster Rule does not mandate the precise means or methods by which a paper mill must meet the new air and water standards. Instead, the EPA developed three different methods or approaches for achieving compliance with the Cluster Rule. The approaches involve the utilization of either Best Available Technology ("BAT") or one of two levels of Voluntary Advanced Technology ("VAT"). In each approach, the technology requires the use of specific equipment and process chemistry to achieve compliance. The Taxpayer chose to utilize BAT as the most cost-effective solution, although the use of BAT requires a greater level of regulatory monitoring than does VAT. *The use of BAT required replacing elemental chlorine and sodium hypochlorite with chlorine dioxide, oxygen, and peroxide in the bleaching process.*

Elemental chlorine reacts with the lignin found in wood and forms chlorinated pollutants such as chloroform, dioxin, and furans, which may end up in the wastewater stream. The Cluster Rule mandates substantial reductions in dioxin and furan discharges to water, dioxin and furan in sludge destined for land disposal, and chloroform.

Therefore the assets were constructed and installed in order to eliminate or reduce industrial air or water pollution per FL-TAXRPTR 91-006, Sec. 193.621.

(1) If it becomes necessary for any person, firm or corporation owning or operating a manufacturing or industrial plant or installation to construct or install a facility, as is hereinafter defined, in order to eliminate or reduce industrial air or water pollution, any such facility or facilities shall be deemed to have value for purposes of assessment for ad valorem property taxes no greater than its market value as salvage. Any facility as herein defined heretofore constructed shall be assessed in accordance with this section

(letter ruling).... *no doubt but that the new chlorine dioxide facility and the new bleach plant meet the requirements of section 212.051, F.S., as equipment installed or constructed to meet EPA and DEP standards and that the facility and plant are used for the control or abatement of pollution.*

Another key portion of this property tax exemption statute addresses efficiencies of the operation. The new bleaching process actually produces less bleached pulp tonnage than the permitted production of the two plants combined with a cost of \$67 million and essentially the same operating costs (letter ruling by DOR):

FL-TAXRPTR 91-006, Sec. 193.621.

(2) If the owner of any manufacturing or industrial plant or installation shall *find it necessary in the control of industrial contaminants* to demolish and *reconstruct that plant or* installation in whole or part and the property appraiser determines that such demolition or reconstruction *does not substantially increase the capacity or efficiency of such plant or installation* or decrease the unit cost of production, then *in that event, such demolition or reconstruction shall not be deemed to increase the value of such plant or installation for ad valorem tax assessment purposes.*

(letter ruling by DOR)

The current maximum *permitted pulp production at the plant is 1,850 Air Dried Tons of Bleached Pulp ("ADTBP") per day* as a monthly average. *The new plant will be capable of a maximum daily pulp production of 1,702 ADTBP per day* with an average monthly pulp production rate of 1,350 ADTBP per day, a substantial decrease in production capacity.

The new plant, along with the chlorine dioxide facility and other equipment being installed, will have a **capital cost in excess of \$67 million**. The **operating costs of the new plant, however, will be substantially the same** as the existing plants or perhaps slightly lower.....

The purpose of constructing a bleach plant is to produce bleached pulp. Therefore, ***if a bleach plant were being constructed in the first instance as part of a new pulp mill, it would be apparent that the primary purpose of constructing the plant would be the production of bleach pulp***, even if the plant were the most environmentally efficient plant possible. A bleach plant is simply not constructed primarily for the control or abatement of pollution.

The question is different, however, where there is an existing bleach plant that is fully operational and capable of economically producing bleached pulp. ***If the plant is in no way obsolete, the destruction of the plant and the erection of a new plant would not be for the primary purpose of producing bleached pulp unless the new plant, considering its costs, would pay for itself through increased production, or lower operating costs, or some combination of the two.***

The ***Taxpayer has shown that the existing bleach plant is not obsolete***. Over the course of years, parts of the plant could continually be replaced and upgraded at relatively small costs, but from a purely economic standpoint, the existing plant would not be totally replaced at this time or in the foreseeable future. Additionally, ***the new plant will have a substantially lower production capacity than the existing plant***. There may be a ***minimal reduction in operating costs of the new plant, but that reduction is insignificant when compared to the capital costs of the new plant***. It would make **no economic sense for the Taxpayer to destroy a fully operational facility and spend more than \$67 million to construct a new facility, for any reason other than that the new plant is necessary for environmental purposes.**

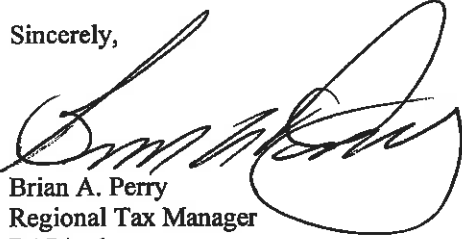
The addition of the repulper and unbleached storage area was necessary due to the replacement of two bleach plants with the one to accommodate scheduled maintenance shutdowns or outages of the bleach plant (letter ruling by DOR) when previously one of the two old bleach plants was always operational. Again the purpose of installing this equipment was due to environmental purposes:

(letter ruling).... Repulper System. - A backup repulper system is included as ***an integral part of the new bleach facility*** and will provide pulp to the tissue mill during a maintenance shutdown or outage of the bleach plant. Because the bleach plant replaces two prior elemental chlorine bleach plants, one of which was always operational, a backup system is a necessity.

All of this equipment was installed and permitted to comply with cluster rule requirements of the EPA and enforced and permitted by the Florida DEP. Attached is the full text of the FL-TAXRPTR 91-006, Sec. 193.621 and the letter ruling response by the Florida department of revenue. The original letter-ruling request was drafted in no small part with the technical assistance of plant environmental engineers. The letter ruling by the state was drafted by the Florida department of revenue after meetings with these same engineers. Again, I believe the TAA for exemption from sales tax from the DOR explains the significant ***environmental purpose that is the basis for the property tax exemption in lieu of the role this equipment plays in manufacturing process***. The purpose of the installation of this equipment should also be well documented in DEP permitting records to meet the cluster rule requirements.

Please give me a call if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian A. Perry", written over the typed name and title.

Brian A. Perry
Regional Tax Manager
BAP/wab

Cc: Putnam County Property Appraiser
Attn: Marsha Denton
P. O. Box 1920
Palatka, FL 32178-1920

Greg Macnaughton
Georgia Pacific Corp. FL180-1

STATE-LAW, FL-TAXRPTR ¶91-006, Sec. 193.621. Assessment of pollution control devices.--
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FLORIDA STATUTES, TITLE XIV TAXATION AND FINANCE, CHAPTER 193 ASSESSMENTS,
Part II Special Classes Of Property. .

Sec. 193.621. Assessment of pollution control devices--

(1) If it becomes necessary for any person, firm or corporation owning or operating a manufacturing or industrial plant or installation to construct or install a facility, as is hereinafter defined, in order to eliminate or reduce industrial air or water pollution, any such facility or facilities shall be deemed to have value for purposes of assessment for ad valorem property taxes no greater than its market value as salvage. Any facility as herein defined heretofore constructed shall be assessed in accordance with this section.

(2) If the owner of any manufacturing or industrial plant or installation shall find it necessary in the control of industrial contaminants to demolish and reconstruct that plant or installation in whole or part and the property appraiser determines that such demolition or reconstruction does not substantially increase the capacity or efficiency of such plant or installation or decrease the unit cost of production, then in that event, such demolition or reconstruction shall not be deemed to increase the value of such plant or installation for ad valorem tax assessment purposes.

(3) The terms "facility" or "facilities" as used in this section shall be deemed to include any device, fixture, equipment, or machinery used primarily for the control or abatement of pollution or contaminants from manufacturing or industrial plants or installations, but shall not include any public or private domestic sewerage system or treatment works.

(4) Any taxpayer claiming the right of assessments for ad valorem taxes under the provisions of this law shall so state in a return filed as provided by law giving a brief description of the facility. The property appraiser may require the taxpayer to produce such additional evidence as may be necessary to establish taxpayer's right to have such properties classified hereunder for assessments.

(5) If a property appraiser is in doubt whether a taxpayer is entitled, in whole or in part, to an assessment under this section, he or she may refer the matter to the Department of Environmental Protection for a recommendation. If the property appraiser so refers the matter, he or she shall notify the taxpayer of such action. The Department of Environmental Protection shall immediately consider whether or not such taxpayer is so entitled and certify its recommendation to the property appraiser.

(6) The Department of Environmental Protection shall promulgate rules and regulations regarding the application of the tax assessment provisions of this section for the consideration of the several county property appraisers of this state. Such rules and regulations shall be distributed to the several county property appraisers of this state.

(As added by Ch. 67-436, Laws 1967; as amended by Ch. 69-55, Laws 1969; Ch. 69-106, Laws 1969; Ch. 69-216, Laws 1969; Ch. 71-137, Laws 1971; Ch. 71-355, Laws 1971; Ch. 77-102, Laws 1977; Ch. 77-104,

Laws 1977; Ch. 79-65, Laws 1979; Ch. 94-356, Laws 1994; Ch. 95-147, Laws 1995; Ch. 2000-158 (H.B. 1063), Laws 2000; Ch. 2000-210 (S.B. 1772), Laws 2000, effective July 1, 2000.)

STATE-LAW, FL-TAXRPT 94-075, Sec. 212.051. Equipment, machinery, and other materials for pollution control; not subject to sales or use tax.--

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FLORIDA STATUTES, TITLE XIV TAXATION AND FINANCE, CHAPTER 212 TAX ON SALES, USE, AND OTHER TRANSACTIONS.

Sec. 212.051. Equipment, machinery, and other materials for pollution control; not subject to sales or use tax--

(1) Notwithstanding any provision to the contrary, sales, use, or privilege taxes shall not be collected with respect to any facility, device, fixture, equipment, machinery, specialty chemical, or bioaugmentation product used primarily for the control or abatement of pollution or contaminants in manufacturing, processing, compounding, or producing for sale items of tangible personal property at a fixed location, or any structure, machinery, or equipment installed in the reconstruction or replacement of such facility, device, fixture, equipment, or machinery. To qualify, such facility, device, fixture, equipment, structure, specialty chemical, or bioaugmentation product must be used, installed, or constructed to meet a law implemented by, or a condition of a permit issued by, the Department of Environmental Protection; however, such exemption shall not be allowed unless the purchaser signs a certificate stating that the facility, device, fixture, equipment, structure, specialty chemical, or bioaugmentation product to be exempted is required to meet such law or condition.

(2) Equipment, machinery, or materials required to meet any law implemented by, or any condition of a permit issued by, the Department of Environmental Protection that are purchased for the monitoring, prevention, abatement, or control of pollution or contaminants at privately owned or operated landfills or construction and demolition debris disposal facilities shall be exempt from taxation as otherwise imposed by this chapter; however, such exemption shall not be allowed unless the purchaser signs a certificate stating that the equipment, machinery, or materials to be exempted are required to meet such law or condition. This exemption does not include solid waste collection vehicles, compactors, graders, or other earthmoving equipment.

(3) For the purposes of this section, "specialty chemicals" means those chemicals used to enhance or further treat wastewater, including, but not limited to, defoamers, nutrients, and polymers, and "bioaugmentation products" means the microorganisms used in waste treatment plants to break down solids and consume organic matter.

(As added by Ch. 69-222, Laws 1969; as amended by Ch. 98-317, Laws 1998; Ch. 2000-355, Laws 2000, effective July 1, 2000.)

ADMN-RUL, FL-TAXRPTR, ¶20000813007, Technical Assistance Advisement 00A-031, , , June 15, 2000

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Technical Assistance Advisement 00A-031, June 15, 2000 00A-031 FL-TAXRPTR20000813007

Sales and Use Tax

Technical Assistance Advisements 2000-To Date

Jun 15, 2000

Re: Technical Assistance Advisement 00A-031

Sales & Use Tax - Pollution Control Equipment

Section 212.051(1), F.S.

XXX ("Taxpayer")

F.E.I. # XX

Dear:

This is in response to your letter dated January 5, 2000, as supplemented by your letter of May 11, 2000, requesting the issuance of a Technical Assistance Advisement ("TAA") concerning the above referenced parties and matter. Your letters have been carefully examined, and the Department finds them to be in compliance with the requisite criteria set forth in Chapter 12-11, F.A.C. This response to your request constitutes a TAA and is issued to you under the authority of section 213.22, F.S.

Advisement Requested

You have requested our advisement that the equipment, processes, and systems being installed and constructed by the Taxpayer in compliance with requirements of the Environmental Protection Agency are exempt from sales or use tax under section 212.051(1), F.S., as a facility, device, fixture, equipment, or machinery used primarily for the control or abatement of pollution or contaminants in manufacturing, processing, compounding, or producing for sale items of tangible personal property at a fixed location.

Discussion of Facts

Background.

The Taxpayer operates a pulp and paper facility in Florida. The facility produces approximately 280,000 tons of bleached paper and 240,000 tons of brown paper each year. The facility operates two kraft paper machines and three tissue paper machines. The facility employs approximately 1,250 people with an annual payroll of approximately \$85 million.

Processes and systems at the facility include a batch digester system, multiple effect evaporator system, condensate stripper system, recovery boiler, smelt dissolving tanks, lime kiln, tall oil plant, utilities, bleach plants, chlorine dioxide plant, and other equipment to produce finished paper products from virgin wood.

The Environmental Protection Agency ("EPA"), after several years of study, issued a draft rule in 1993 commonly known as the "Cluster Rule." The term "cluster" refers to the two media or areas, water and air, regulated by the rule. The Cluster Rule stresses the prevention of pollution, as well as the treatment of pollution, in manufacturing processes. The Cluster Rule was in large part made final in April 1998.

The Florida Department of Environmental Protection ("DEP") implements and enforces the standards, rules, and regulations of the EPA within the State of Florida. The Taxpayer submitted applications for required permits with the DEP and, to this date, has received final permits on all but one of its applications.

The Cluster Rule directs pulp and paper mills to meet air standards, requiring a reduction of air pollutants, at various points throughout the mills. These points include the cooking, washing, and bleaching stages of the pulp manufacturing process. The Rule requires major reductions in toxic air pollutants, sulfur, volatile organic compounds, and particulate matter.

The Cluster Rule also contains new standards for the bleaching process. Paper mills must reduce the pollutants in the wastewater discharged during the bleaching process. Thus, the wastewater, as produced, must contain lesser amounts of pollutants than was previously the case.

The new standards must be met by April 16, 2001. The Cluster Rule does not mandate the precise means or methods by which a paper mill must meet the new air and water standards. Instead, the EPA developed three different methods or approaches for achieving compliance with the Cluster Rule. The approaches involve the utilization of either Best Available Technology ("BAT") or one of two levels of Voluntary Advanced Technology ("VAT"). In each approach, the technology requires the use of specific equipment and process chemistry to achieve compliance. The Taxpayer chose to utilize BAT as the most cost effective solution, although the use of BAT requires a greater level of regulatory monitoring than does VAT. The use of BAT required replacing elemental chlorine and sodium hypochlorite with chlorine dioxide, oxygen, and peroxide in the bleaching process.

Elemental chlorine reacts with the lignin found in wood and forms chlorinated pollutants such as chloroform, dioxin, and furans, which may end up in the wastewater stream. The Cluster Rule mandates substantial reductions in dioxin and furan discharges to water, dioxin and furan in sludge destined for land disposal, and chloroform.

Planned Projects to Comply with the Cluster Rule.

Air Pollution. - The Taxpayer plans to install or construct the following equipment for the reduction of air pollution:

- * A new steam stripper for the removal of hazardous air pollutants from pulping condensate.
- * A new SOG (stripper off gas) incinerator and scrubber for the destruction of hazardous air pollutants and control of by-product SO₂ gas.
- * An upgrade of the pre-evaporator for condensate segregation.
- * Additional aerators for upgrading the wastewater treatment system, including electrical distribution modifications needed to support the increased electrical demand of the additional aerators.

Water Pollution. - Chlorine dioxide is unstable and cannot be transported; it must be manufactured on-site. Additionally, chlorine dioxide is not as efficient as a bleaching agent as is elemental chlorine. Additional processing equipment, along with other changes in the bleaching process, is needed to maintain the same level of production as with elemental chlorine. Accordingly, the Taxpayer plans to install or construct a chlorine dioxide plant and a new three-stage bleach plant that will replace two existing bleach plants. The new plant will include an unbleached pulp high density chest and a direct entry repulper.

Detailed Description of the Processes and Components.

I. Condensate Collection System.

New Stripper Feed Tank and Condensate Stripper. - The new stripper feed tank will collect condensates. The stripper is a large column with trays. Liquid flows through the trays, steam is added to heat the liquid, and a number of elements boil off as Stripper Off Gas, which is conveyed to the incineration system to destroy any hazardous air pollutants. The hazardous air pollutants (TRS gases and methanol) resulting from the stripper process are routed to the incinerator. In addition, a vacuum system draws non-condensable gasses and sulfur compounds from other areas of the plant to the incinerator.

New Incinerator. - The incinerator will be fueled by natural gas and will operate above 1600 degrees Fahrenheit. Sulfur compounds and methanol will be consumed by this oxidation process, and hazardous air pollutants will be reduced in the gases fed into the incinerator by 98 percent. Residual sulfur dioxide will remain after incineration.

New Scrubber. - The residual sulfur dioxide is fed into the scrubber and combined with caustic. The resulting mixture is recycled into the chemical recovery process. Any remaining substance, which will be completely within EPA requirements, is released into the atmosphere.

Heat Sink - Third Effect Pre-Evaporator Body. - An additional tank or vessel must be added to two existing pre-evaporators to remove excess heat generated by the new stripper.

II. Chlorine Dioxide Facility.

The new plant will provide sufficient chlorine dioxide to replace all elemental chlorine and sodium hypochlorite, as well as existing generated chlorine dioxide. The plant will produce 54 tons per day of chlorine dioxide in comparison with the existing generator, which produces 8 tons per day of chlorine dioxide.

The chlorine dioxide generating process utilizes sodium chlorate, sulfuric acid, and methanol to produce the chlorine dioxide. These chemicals are mixed in a large titanium vessel called a generator in the presence of heat and under a vacuum. Agitation is provided by a large and specialized titanium recirculation pump. The process produces a gas stream of water vapor and chlorine dioxide. The gas stream must be cooled, using a titanium heat exchanger to condense the water vapors. The condensate is then absorbed into water that has been chilled to 38 degrees Fahrenheit and becomes a chlorine dioxide solution, which is then pumped to storage tanks.

The chlorine dioxide process generates a by-product known as saltcake (sodium sulfate). The saltcake is collected, dissolved in hot water, and returned to the mill's kraft pulp cooking liquor system to replace the sodium and sulfur lost from the process. This injection into the cooking liquor cycle minimizes the loss of this saltcake to the process sewer and thus benefits the environment by reducing the inorganic load (conductivity) in the mill's effluent.

The plant is an organized arrangement of specialized tanks, pumps, and piping, mostly constructed of titanium. The majority of the equipment will be housed in a 4-story building built of galvanized steel with a stainless steel roof deck. Three of the four floors are concrete with acid resistant coating.

Concrete foundations will be provided for all equipment in the plant. In addition to the equipment housed in the above-described building, there will also be specialized tanks and pumps for the unloading and storage of sodium chlorate, methanol, and sulfuric acid.

Sulfuric Acid Unloading and Storage System. - The mill will maintain the existing sulfuric acid storage tank. A full containment wall will be constructed around the tank. The acid will be unloaded from a new rail car unloading facility with appropriate under-the-car catch basin and managed drain system. There will be a back up truck unloading site constructed to prevent spill from going to the earth. A computer-controlled metering and valve system will ensure that the proper amount of sulfuric acid enters the chlorine dioxide generator.

Sodium Chlorate Unloading and Storage System. - Sodium chlorate arrives at the site by specialized rail car in a crystallized form. The unloading system includes several pumps with specialized metallurgy, a water heating system, and a mix tank. The mix tank is first filled with water and heated to approximately 190 degrees Fahrenheit. The hot water is pumped into the rail car to dissolve the chlorate, and the solution is pumped back to the mix tank. The solution is then pumped to a tile-lined storage tank, which must be kept heated so that the chlorate will stay in solution. The solution is pumped from the storage tank to an elevated head tank. The head tank provides a constant pressure feed to the chlorine dioxide generator.

Methanol Unloading and Storage System. - A new stainless steel methanol tank will replace the old carbon steel tank to eliminate contaminants. The new system will have full containment and managed drains, so

that no methanol will come into contact with the ground. A computer-controlled metering pump and valve system ensures that the proper amount of methanol enters the chlorine dioxide generator.

Reboiler and Chlorine Dioxide Generator. - The reboiler is a titanium heat exchanger located in the generator recirculation loop. Its purpose is to elevate the temperature of the chemical solution. Sulfuric acid and methanol are injected into the venturi section of the recirculation loop just above the reboiler. The resulting solution then enters the generator, along with the sodium chlorate solution which was added at the base of the recirculation loop just prior to passing through the recirculation pump. The entire process takes place under vacuum. This process produces chlorine dioxide. The chlorine dioxide gas proceeds to the titanium indirect contact cooler, where it is cooled prior to being absorbed in chilled water in the absorption tower.

Cooler and Absorption Tower. - The absorption tower is a fiberglass reinforced plastic vessel with ceramic saddles. The saddles provide a large surface area that greatly facilitates the absorption of the chlorine dioxide gas into water. The gas rises from the bottom of the tower, while chilled water (38 degrees Fahrenheit) trickles down from the top of the tower. The water absorbs the chlorine dioxide gas, creating a chlorine dioxide bleach solution of approximately 14 grams of chlorine dioxide per liter. This solution is utilized to bleach the pulp.

The process water, which is going to the chillers to be cooled to 38 degrees Fahrenheit, is pre-cooled by the chlorine dioxide solution on its way to the bleach plant application point. This pre-cooling is done using a titanium heat exchanger. It significantly reduces the electricity required to cool the process water and also reduces the steam required to heat the pulp.

Chlorine Dioxide Storage System. - The chlorine dioxide must be kept in solution in an insulated storage tank. The solution must be kept cold in order to prevent decomposition. The solution is drawn from the storage tank on demand to the bleaching process while the tank is being refilled from the chlorine dioxide generating process. Thus, the solution is being constantly refreshed.

Just prior to the point at which the chlorine dioxide solution enters the process, another titanium heat exchanger uses waste process heat to warm up the solution. This reduces the virgin steam demand and is thus another energy conservation system.

Scrubber. - The scrubber is a reclaim system that captures any escaped chlorine dioxide gas and returns it to the absorption tower.

Filters, Metathesis Tank, and Saltcake Tank. - The liquid containing saltcake is filtered and enters the metathesis tank. A two-stage process is required to maximize the recovery of chemicals to the generating process and to provide a usable byproduct to enter into the cooking liquor cycle.

Concrete foundations are also provided for mechanical chillers, a cooling tower and other support equipment required to successfully construct and operate the generator. These systems are needed to provide system cooling and chilled water to absorb chlorine dioxide. The vessels, pumps, and support equipment will be constructed on concrete foundations with curbs and managed drains to the appropriate process sewer.

The chlorine dioxide and sodium chlorate storage tanks are specially constructed steel vessels with an acid brick lining throughout. Because of the specialized nature of the various chemicals, all of the tanks have special service characteristics.

III. Three-Stage Bleach Plant.

Currently, the two bleach plants utilize four stages of processing, a chlorine stage, a caustic soda stage, a hypochlorite stage, and a chlorine dioxide stage. Between each stage, there is a vacuum washing step with associated pumps and mixers for steam and chemicals. This equipment is capable of producing a given amount of bleached fiber based on its size and design characteristics or principles. The existing equipment is currently produces levels of pollution no longer permissible under the Cluster Rule.

The current maximum permitted pulp production at the plant is 1,850 Air Dried Tons of Bleached Pulp ("ADTBP") per day as a monthly average. The new plant will be capable of a maximum daily pulp production of 1,702 ADTBP per day with an average monthly pulp production rate of 1,350 ADTBP per day, a substantial decrease in production capacity.

The new plant, along with the chlorine dioxide facility and other equipment being installed, will have a capital cost in excess of \$67 million. The operating costs of the new plant, however, will be substantially the same as the existing plants or perhaps slightly lower.

Both pine and hardwood will be processed through the same bleach plant. Unbleached pulp, known as "brown stock," has been produced in digesters and washed to remove lignin. The bleaching process is required to remove the remaining lignin and to bleach the brown color from the pulp so that it may be used to produce tissue and commercial paper products.

Because the bleaching characteristics of pine and hardwood differ from one another, it is essential to bleach them separately. Each species of wood is therefore bleached at a time, and consequently, the mill must have sufficient pulp storage to provide a flow of pulp required by the paper machines.

Pre-bleach Wash Press. - A new pre-bleach washing press will be installed for the process between the unbleached high-density storage and the first stage of the bleach plant. This pre-washing device will allow the mill to return more sodium and sulfur-bearing byproducts to the recovery process, thus increasing the chemical recovery and reducing the effluent load. At the same time, it will decrease the amount of bleaching chemicals that will be required to accomplish the desired amount of bleaching. By reducing the amount of chlorine dioxide used, the bleach plant will be even more efficient and thus further reduce the organic halides.

The pre-bleach wash press will also allow the mill to operate the first stage of the bleach plant at medium consistency (10-12%) instead of the conventional approach of low consistency (3-4%). This will increase the overall system efficiency and thus reduce the amount of chlorine dioxide required in the process.

New Bleach Facility and Process. - The new bleach plant will include three new wash presses of Valmet manufacture. In addition, there will be three large and specialized retention towers. The bleaching process

is sequential: the pulp flows through stages until it leaves as a finished pulp product on its way to the high density storage towers where it is ready to be utilized for the making of paper.

Each stage is unique and requires uniquely designed retention towers, specialized pulp pumps, filtrate tanks, and washers. The washers, pumps, and some of the tanks will be housed in a new structure, 124 feet by 58 feet with an elevated operating floor. The weight and physical size of the washers, towers, and tanks requires a substantial concrete foundation. The bleach plant transformer and motor control center will be housed in a separate but adjoining structure.

The bleaching process begins with brown stock produced during the pulp making process. Washers separate the cellulose fiber, desirable for bleaching and making paper, from the spent cooking chemicals and portions of the wood not desirable for the making of paper. The cellulose is sent to the unbleached high-density pulp storage vessels on its way to the bleach plant for color removal.

The spent cooking chemicals and the wood not desirable for the making of paper are sent to the cooking chemical recovery area of the mill for processing. A pulp washer mechanically cleans the pulp by displacing the liquid with cleaner liquid.

The pulp is pumped to pulp storage chests at about a 12 percent consistency using a medium consistency pump. In order to remove pulp from the bottom of the storage chest, agitated water is added to the bottom of the chests to dilute the pulp solution so that it may be pumped from the tower. The pulp is fed to the pre-bleach wash press, which presses the pulp to about 30% consistency. The water pressed out of the thickener is recycled. The pulp is then diluted with bleach plant recycle waters to about 12 percent consistency and is ready to be sent to the first stage of bleaching.

First Stage. - In a mixer, chlorine dioxide is added to the brown stock. The mixture then enters a loop that allows time for the bleach to fully permeate the stock. An agitator at the bottom of the loop keeps the stock moving, and the pulp is pumped to the washer. Wash water is introduced at the pump and at the wash press to purge the pulp of color bodies and spent bleaching chemicals. Dioxide filtrate is used for dilution of the brown stock. The pulp discharges from the wash press at a consistency of approximately 30 percent, ready for the second stage.

Second Stage. - The second stage elevates the pH, dramatically allowing the chlorine dioxide and lignin to be extracted from the stock. First, steam is injected into a mixer to raise the temperature of the stock. Caustic and peroxide are added to the pulp, and the pulp is then pumped into a pressurized vessel. Oxygen is inserted into the pressurized pulp. The pulp is pumped to a wash press where the pulp is rinsed to remove spent bleaching chemicals and color bodies. The stock is discharged from the wash press at 30 percent consistency, ready for the third stage.

Third Stage. - Sufficient steam is added to elevate the pulp to optimal bleaching temperature. The pulp is diluted to approximately 12 percent consistency and pumped to the chlorine dioxide mixer and then into the up-flow tower. Chlorine dioxide is injected into the pulp prior to entering the bottom of the up-flow tower. Upon discharge from the up-flow tower, the pulp goes into the down-flow tower. The down-flow tower discharges at the bottom, and the pulp is then discharged and pumped into the final wash press, where the remaining color bodies are rinsed from the pulp. The pulp is discharged from the wash press at approximately 30 percent consistency. It is diluted to 12 percent consistency and pumped into an existing bleached high-density chest for subsequent use by the paper making machines.

Repulper System. - A backup repulper system is included as an integral part of the new bleach facility and will provide pulp to the tissue mill during a maintenance shutdown or outage of the bleach plant. Because the bleach plant replaces two prior elemental chlorine bleach plants, one of which was always operational, a backup system is a necessity.

Law and Analysis

Section 212.051, F.S., which became effective January 1, 1999, provides as follows:

Sec. 212.051. Equipment or machinery for pollution control; not subject to sales or use tax.--

(1) Notwithstanding any provision to the contrary, sales, use, or privilege taxes shall not be collected with respect to any facility, device, fixture, equipment, or machinery used primarily for the control or abatement of pollution or contaminants in manufacturing, processing, compounding, or producing for sale items of tangible personal property at a fixed location, or any structure, machinery, or equipment installed in the reconstruction or replacement of such facility, device, fixture, equipment, or machinery. To qualify, such facility, device, fixture, equipment, or structure must be installed or constructed to meet a law implemented by, or a condition of a permit issued by, the Department of Environment Protection; however, such exemption shall not be allowed unless the purchaser signs a certificate stating that the facility, device, fixture, equipment, or structure to be exempted is required to meet such law or condition.

The statute accordingly sets forth two requirements for the exemption, the first being that the property must be used primarily for the control or abatement of pollution or contaminants, and the second being that the property must be installed or constructed to meet a law implemented by, or a condition of a permit issued by, the DEP. The Department has carefully examined the applications and permits concerning the property described in this letter and finds that the Taxpayer meets the second requirement with respect to all of the property. The Taxpayer has in effect had to rebuild most of its facility to comply with the Cluster Rule.

The property must be examined, however, in light of the first requirement. The language of the statute mandates that the Department must inquire into the primary use of each item of property and determine whether it is primarily used for the control or abatement of pollution, or whether it is primarily used for another purpose, such as manufacture or production. For purposes of this inquiry, the property can be divided into two parts: (1) the items comprising the new condensate collection system; and (2) the items comprising the new chlorine dioxide facility and bleach plant.

I. Condensate Collection System.

The essential components of the condensate collection system are the stripper feed tank and condensate stripper, the incinerator, the scrubber, and the heat sink. The function of the stripper is to collect and treat hazardous air pollutants, primarily methanol and total reduced sulfur compounds, and channel them to the incinerator for further treatment. In the incinerator, the hazardous air pollutants are consumed by oxidation, leaving residual sulfur dioxide. The scrubber is used to recycle in usable form the residual sulfur dioxide that remains after incineration, enabling the release of pollutants into the atmosphere at a level within MACT requirements. The heat sink removes the excess heat generated by the new stripper.

The components of the condensate collection system are therefore property that is used primarily for the control or abatement of pollution or contaminants. Accordingly, as required by section 212.051(1), F.S., if the Taxpayer signs a certificate stating that the system is required to meet a law or condition of a permit of the DEP, the purchase and installation of the condensate collection system will be exempt from sales or use tax.

II. Chlorine Dioxide Facility and Three-Stage Bleach Plant.

The primary use of the chlorine dioxide facility is the production of chlorine dioxide for use in the bleaching process, and the chlorine dioxide facility is therefore an integral part of the bleaching process. See, *Jacksonville Electric Authority v. Department of Revenue*, 486 So.2d 1350 (Fla. 1st DCA 1986), in which the court applied an "integrated plant theory," in determining the scope of the exemption for machinery and equipment used in the production of electrical or steam energy found in section 212.08(5)(c), F.S. The integrated plant theory effectively states that all parts of a plant used in the process of producing a product are part of the manufacturing process even if the parts are not intrinsically necessary for the production of the product or simply make a plant function more efficiently.

Accordingly, the chlorine dioxide facility and the new bleach plant will be considered as one integrated unit for purposes of this analysis.

As indicated, the bleaching process is a necessary part of the production of kraft and tissue papers. In the past, the bleaching process has been accomplished at the Taxpayer's plant through the use of elemental chlorine, and the new chlorine dioxide facility produces a chemical that, in its use, is less harmful to the environment than elemental chlorine.

The chlorine dioxide facility consists of tanks for the storage of sodium chlorate, sulfuric acid, and methanol, which are required to produce chlorine dioxide. The chemicals are heated, combined in a generator to form chlorine dioxide, which is then cooled and fed into an absorption tower. The chlorine dioxide is there absorbed into water, creating a bleach solution that must be stored for use in the bleaching process. A scrubber is used to capture escaped chlorine dioxide gas from the absorption tower, and filters, a metathesis tank, and a saltcake tank are used to recover and recycle remaining chemicals.

The new bleaching equipment will allow the mill to perform environmentally more efficient mixing and washing with less water per ton of fiber than the existing equipment. The new pumps are designed to more intimately mix fibers with either liquids and/or gases than the existing equipment, thereby effectively producing white, clean fiber with fewer by-products.

The process chemistry in the new bleach plant will produce less chlorinated material. This is the result of chlorine dioxide's capacity to oxidize more than to chlorinate (the use of chlorine produces substantially more chlorinated material). Chlorine dioxide is also capable of destroying the small amounts of chlorinated organic by-products produced in the process, whereas elemental chlorine does not destroy those by-products. This is also true of the pressurized high temperature oxygen and peroxide stage, in which a significant amount of organic "colored material" is removed and destroyed within the stage itself.

The net effect is that elemental chlorine and sodium hypochlorite will be removed from the bleach plant and will be replaced by chlorine dioxide and oxygen peroxide. The new process results in less pollution, as well as the actual destruction of polluting substances.

There can therefore be no doubt but that the new chlorine dioxide facility and the new bleach plant meet the requirements of section 212.051, F.S., as equipment installed or constructed to meet EPA and DEP standards and that the facility and plant are used for the control or abatement of pollution. The only question remaining under the statute is whether the new facility and plant are used primarily for the control or abatement of pollution.

The purpose of constructing a bleach plant is to produce bleached pulp. Therefore, if a bleach plant were being constructed in the first instance as part of a new pulp mill, it would be apparent that the primary purpose of constructing the plant would be the production of bleach pulp, even if the plant were the most environmentally efficient plant possible. A bleach plant is simply not constructed primarily for the control or abatement of pollution.

The question is different, however, where there is an existing bleach plant that is fully operational and capable of economically producing bleached pulp. If the plant is in no way obsolete, the destruction of the plant and the erection of a new plant would not be for the primary purpose of producing bleached pulp unless the new plant, considering its costs, would pay for itself through increased production, or lower operating costs, or some combination of the two.

The Taxpayer has shown that the existing bleach plant is not obsolete. Over the course of years, parts of the plant could continually be replaced and upgraded at relatively small costs, but from a purely economic standpoint, the existing plant would not be totally replaced at this time or in the foreseeable future. Additionally, the new plant will have a substantially lower production capacity than the existing plant. There may be a minimal reduction in operating costs of the new plant, but that reduction is insignificant when compared to the capital costs of the new plant. It would make no economic sense for the Taxpayer to destroy a fully-operational facility and spend more than \$67 million to construct a new facility, for any reason other than that the new plant is necessary for environmental purposes.

In short, although the bleaching process is necessary to produce strong and absorbent white fiber, the only reason the Taxpayer is investing in the new plant and process chemistry is to achieve environmental compliance with the Cluster Rule. Accordingly, the components of the chlorine dioxide facility and the new three-stage bleach plant are all property that is used primarily for the control or abatement of pollution or contaminants. As required by section 212.051(1), F.S., if the Taxpayer signs a certificate stating that the system is required to meet a law or condition of a permit of the DEP, the purchase and installation of such components will be exempt from sales or use tax.

This response constitutes a Technical Assistance Advisement under section 213.22, F.S., which is binding on the Department only under the facts and circumstances described in the request for this advice, as specified in section 213.22, F.S. Our response is predicated upon those facts and the specific situation summarized above. You are advised that subsequent statutory or administrative rule changes or judicial interpretations of the statutes or rules upon which this advice is based may subject similar future transactions to a different treatment from that which is expressed in this response.

You are further advised that this response, your request and related backup documents are public records under Chapter 119, F.S., which are subject to disclosure to the public under the conditions of section 213.22, F.S. Confidential information must be deleted before public disclosure. In an effort to protect confidentiality, we request you provide the undersigned with an edited copy of your request for Technical Assistance Advisement, the backup material and this response, deleting names, addresses and any other

details which might lead to identification of the taxpayer. Your response should be received by the Department within 15 days of the date of this letter.

Sincerely,

Robert D. Heyde

Senior Attorney

Technical Assistance & Dispute Resolution

Control #39870