



September 5, 2014



Mr. William J. Rogers, Jr.
Environmental Quality Analyst
MDEQ Air Quality Division
2100 West M-32
Gaylord, Michigan 49735

Re: Violation Notice dated August 18, 2014:
Decorative Panels International Inc. – Alpena Hardboard Mill,
Renewable Operating Permit No. MI-ROP-B1476-2009b

Dear Mr. Rogers:

We are responding to the Violation Notice (“VN”) dated August 18, 2014, issued to Decorative Panels International (“DPI” or “the Company”) by the Michigan Department of Environmental Quality (“MDEQ”). The VN alleges #1 Press/Biofilter and #3 Press/Biofilter permit and rule violations of our above-referenced Renewable Operating Permit (“ROP”) and the federal regulation known as *National Emission Standards for Hazardous Air Pollutants: Plywood and Composite Wood Products*, 40 CFR Part 63, Subpart DDDD (hereafter “Wood MACT”).

This response is submitted timely before the September 8, 2014 due date. As requested by the VN, this written response addresses the alleged violations, provides a summary of the corrective actions that have been taken by DPI, and identifies steps being taken to prevent any possible reoccurrence. In the interim, DPI reserves all defenses, claims, and rights regarding this VN’s allegations.

As you are aware, DPI received a “Finding of Violation” dated April 1, 2014 from the U.S. Environmental Protection Agency (“EPA”) Region V for alleged violations of the Wood MACT, the NESHAP General Provisions at 40 CFR Part 63, Subpart A, and conditions of its Renewable Operating Permit MI-ROP-B1476-2009b. DPI met with EPA staff in an informal settlement conference on May 12, 2014 to discuss the alleged violations and to present corrective actions. DPI has communicated status updates to the EPA since that meeting and the parties continue settlement negotiations with regard to the Finding of Violation. Because of the substantial overlap between your VN and this related EPA proceeding, we respectfully suggest that there needs to be some coordination.

As an initial response and attempt to amicably resolve the VN, DPI is providing this submission to the MDEQ responding to each of the four (4) claims, and therefore nothing contained herein should be deemed an admission of liability. Additionally, as DPI’s investigation of these alleged violations is ongoing, the Company may need to supplement this response if additional information becomes available.

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Process Description: FGMACTDDDD, Press Line 1

Alleged Rule/Permit Condition Violated: Table FGMACTDDDD, Condition III.2

Alleged Violation/Comment: Operating while Line 1 Biofilter was outside of its allowed temperature range

DPI submitted the Semi-Annual Compliance Report dated July 31, 2014 for the period of January 1, 2014 through June 30, 2014. Included in this report were 136 hours of low temperature for #1 Press/Biofilter between January 25, 2014 and January 31, 2014. Upon further review of the data, it was discovered that the pressline was down for over 2 days during this period to allow DPI to investigate and troubleshoot the problem. The pressline was shut down on January 29 at around 10 am and did not start up again until around 12 noon on January 31. Temperatures were back within compliance at 4 pm on January 31.

A revised Semi-Annual Compliance Report will be submitted to reflect this change. Under 40 CFR § 63.2251, operating requirements do not apply when the process units subject to the requirements are not operating. Therefore, the period that the #1 pressline was shutdown from January 29 through January 31 should be excluded from the alleged violation.

The Company's investigation into the low temperatures included checking for a malfunction in the steam valves and flow, leaks pulling in cold ambient air, bypass valve failure readings, and verifying the temperature probes. The temperature probes were reading accurate temperatures, the steam valve was fully open with steam flowing, and no leaks were discovered in the system. The bypass valves were displaying a failure on the operator control panel, but a visible inspection appeared to show a proper operating position. Although nothing apparent was discovered, upon startup on January 31 after the shutdown the temperatures in the biofilter came back up to normal operating range.

During a subsequent maintenance shutdown, an attempt was made to open both bypass valves to verify the proper positioning of the valves. Upon inspection, both valves were seated properly but one of them failed to move during the attempt to open. The valves were then sealed with a high temperature sealant to prevent any risk of exhaust bypass. This problem with the bypass valve is not a malfunction that DPI has observed before, but seems a likely cause of the previous low temperature issue. Now that the valves have been sealed, the malfunction should not occur in the future.

Process Description: FGMACTDDDD, Press Line 1

Alleged Rule/Permit Condition Violated: Table FGMACTDDDD, Condition VII.2

Alleged Violation/Comment: Failure to report deviation for Press Line 1 after stack test revealed excess emissions

DPI disagrees that it failed to report the deviation. The Semi-Annual Compliance Report dated July 31, 2014 contained the summary of the April 11, 2014 testing for the #1 Press/Biofilter. Included on this summary page is the sentence, "The results of the emissions testing indicate the No. 1 Biofilter does not satisfy any of the six alternative emission limits in the permit for formaldehyde, methanol, or THC." The

Company has also kept EPA and MDEQ advised of continuing, good faith efforts to correct these conditions.

Process Description: FGMACTDDDD, Press Line 3

Alleged Rule/Permit Condition Violated: Table FGMACTDDDD, Condition VII.2

Alleged Violation/Comment: Failure to report deviation for Press Line 3 after stack test revealed excess emissions

DPI disagrees that the failed attempt to stack test on May 29, 2013 was not reported. DPI's replacement of covers on Biofilter #3 and delay in testing was included in the 2nd half MACT report dated January 29, 2014. Also, our letter to Janis Denman of MDEQ on July 26, 2013 and our response to MDEQ's July 9, 2013 VN clearly outlined the operational difficulties with Biofilter #3 (namely malfunctions with Biofilter covers), the reasons that those malfunctions made it counterproductive to complete testing on May 29, 2013, and the steps the Company was taking to correct these Biofilter #3 conditions so that reliable testing could occur as soon as possible.

Process Description: FGMACTDDDD, Press Lines 1 and 3

Alleged Rule/Permit Condition Violated: Rule 910, R336.1910

Alleged Violation/Comment: Failure to operate Line 1 and Line 3 Biofilters in a satisfactory manner

Following diligent corrective measures by the Company, of which EPA and MDEQ were apprised, both biofilters have now passed repeat compliance tests - Testing on January 9, 2014 demonstrated that #3 Press/Biofilter is in compliance, and testing on July 18, 2014 demonstrated that #1 Press/Biofilter is in compliance.

We have been undertaking progressive corrective actions for #1 Biofilter, as explained previously to EPA and MDEQ. These measures have included engaging expert consultants to review our system; changing and increasing bark media; power-washing ductwork; pH control changes; nutrient adjustments; and replacement of baffles.

The corrective actions performed on #3 Press/Biofilter have been communicated previously in our meeting with MDEQ (you and Janis Denman) on July 23, 2013, our email communications with MDEQ between August and November 2013, including our August 8, 2013 letter (July 9, 2013 VN response), and our November 22, 2013 letter to you.

We are also in the process of updating our Malfunction Abatement Plan (MAP), and will provide that to you soon.

DPI reserves all defenses, rights and claims in response to the VN allegations, and does not by any of the above admit any liability. We remain willing to discuss amicable resolution of any of these issues, and are committed to compliance with our permit and related regulatory requirements. If you have any questions regarding any of the above, please don't hesitate to contact me. We will keep you advised of further developments.

Sincerely,
Decorative Panels International, Inc.



Dennis A. Werblow
Director Environmental and Quality

Cc: Tim Clark, DPI
Ken Gembel, DPI
Tammi VanTil, Madison Consulting
Charles Denton, Barnes & Thornburg
Janis Ransom, MDEQ