



State of Ohio Environmental Protection Agency

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June 2, 2010

Mr. Carl Kraus  
Senior Vice President  
Rayonier, Inc.  
50 North Laura Street  
Jacksonville, Florida 32202

Re: SOUTHERN WOOD PIEDMONT/RAYONIER, INC.  
OHD089431001  
FINANCIAL ASSURANCE RECORDS REVIEW

Dear Mr. Kraus:

On April 9, 2010, I completed reviewing financial assurance documentation submitted to Ohio EPA by Rayonier Inc. (Rayonier) for the former Southern Wood Piedmont (SWP) facility located at 12592 State Route 220 East, Waverly, Pike County, Ohio (Facility). Rayonier provides financial assurance in the form of a corporate guarantee for post closure care of the Facility's former Aeration Pond and former Rainwater Storage Pond hazardous waste units (Units) pursuant to Ohio Administrative Code (OAC) rules 3745-66-44 and 3745-66-45. Closure of the units was originally required under a 1990 Consent Decree (*State of Ohio ex rel., Anthony J. Celebreeze, Jr., Attorney General of Ohio, Plaintiff, v. Southern Wood Piedmont Company, Defendant, Case No. 8-CIV-88, Pike County Court of Common Pleas, October 2, 1990, Judge Bevens*). Following completion of closure activities, on September 30, 2003, Ohio EPA approved SWP's post closure plan for the Units.

By letter dated March 22, 2010, Rayonier submitted to Ohio EPA, as reported pursuant to OAC rules 3745-55-40 to 3745-55-51 and 3745-66-40 to 3745-66-48, a Chief Financial Officer's Letter/Financial Test, a Post Closure Cost Estimate, a Guarantee for Closure or Post Closure Care, and an Independent Auditor's Report and Form 10-K Annual Report which includes a Report (audit) of Independent Registered Public Accounting Firm (Page F-2) (Submittal).

**Post Closure Cost Estimate:**

The Submittal included Schedule OH-I (RCRA Closure/Post Closure/Corrective Action Cost applicable to Ohio), and Schedule OH-II (RCRA Closure/Post Closure/Corrective Action Cost applicable outside Ohio). The cost estimate for the Units in Schedule OH-I was \$508,146.00. This total was broken down to \$171,646.00 for post closure, and \$336,500.00 for "Corrective Actions". The cost estimate lacks any detail with which to evaluate its adequacy to cover costs or inflation required under OAC rule 3745-55-44.

Past correspondence between our offices has discussed the need for more detail in estimates as well as Rayonier's use of the term *Corrective Action*, which I understand Rayonier intends to describe groundwater remedial activity being conducted under the approved post closure plan. While I understand other environmental remedial activities are being conducted at the Facility, I am not aware of any Corrective Action for Waste Management Units being conducted pursuant

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to OAC rule 3745-54-101. If this is incorrect please let me know. Otherwise, to improve communications and avoid misunderstanding on either our parts or those of third parties reviewing these documents, I suggest Rayonier use the term "groundwater corrective action". Based on my review of the Submittal, Rayonier has failed to demonstrate the company has developed or submitted to Ohio EPA a detailed post closure cost estimate, in current dollars, in violation of OAC rules 3745-55-44(A), 3745-55-44(B) and 3745-55-44(E). The last post closure cost estimate with some limited detail documented in Ohio EPA files is from 2006.

Computer software such as CostPro and RACER are commercially available to assist companies in generating detailed cost estimates. The purpose of detailed cost estimates is to ensure adequate funds exist for third parties to complete the work should Rayonier become unable or unwilling to do so. The current cost estimate does not meet that threshold.

**Financial Assurance Mechanism**

As noted above, to demonstrate compliance with financial assurance requirements for post closure pursuant to OAC rule 3745-55-45, by letter dated March 22, 2010, Rayonier submitted documentation to demonstrate its corporate guarantee for SWP's financial assurance obligations for the Units. The CFO letter and Guarantee for Post Closure Care contain the language prescribed in OAC rules 3745-55-45 and 3745-55-51, and based on figures provided in the Submittal passes Alternative 1.

Because the Facility's units are in post-closure, liability coverage for accidental occurrences is not required.

**Corrective Action:**

Financial assurance for RCRA Corrective Action at the Facility is not currently required.

Please provide a detailed post closure cost estimate including calculations of the most recent inflation factor adjustment within 45 days of the date of this letter. If you have any related questions or concerns please feel free to contact me at (614) 644-2955 or [john.schierberl@epa.state.oh.us](mailto:john.schierberl@epa.state.oh.us).

Sincerely,



John Schierberl  
Compliance Assurance Section  
Division of Hazardous Waste Management

ec: Scott Bergreen, SEDO, DHWM  
Cari Shiffman, US EPA, W&CED

**Notice:** Ohio EPA's failure to list specific deficiencies or violations in this letter does not relieve your company from having to comply with applicable regulations.