

**MEMORANDUM OF UNDERSTANDING BETWEEN THE
MINNESOTA POLLUTION CONTROL AGENCY
AND
ROCK-TENN CORPORATION**

I. PURPOSE

The purpose of this Memorandum of Understanding (MOU) between Waldorf Corporation of MN d/b/a Rock-Tenn Company (Rock-Tenn) and the Minnesota Pollution Control Agency (MPCA) is to establish objectives and tasks related to the provision of on-site steam production at Rock-Tenn's facility in St. Paul, Minnesota.

II. BACKGROUND

The Rock-Tenn facility, located at 2250 Wabash Avenue in St. Paul, is an existing major source under the Clean Air Act's New Source Review (NSR) program and Part 70 permitting program.

Rock-Tenn has four existing on-site boilers permitted for combusting natural gas or fuel oil to meet the facility's steam demands. The boilers have been in infrequent use since 1984, when a high-pressure steam line from Xcel Energy's High Bridge power plant (High Bridge Plant) was put into operation. Rock-Tenn continued to maintain the boilers to meet their steam demands when steam from the High Bridge Plant would be interrupted. Rock-Tenn also maintained the air quality permit that is required to operate its boilers, combusting either natural gas or fuel oil. Potential emissions from full-scale operation were included in the MPCA's annual emissions inventory.

Due to the changes in operation of the High Bridge power plant as part of the Metropolitan Emission Reduction Program (MERP), Rock-Tenn proposes to use the boilers as its primary source of steam beginning in 2007. Rock-Tenn will operate the boilers on an ongoing basis using No. 6 fuel oil, No. 2 fuel oil, and/or natural gas based on availability and cost. Although necessary, the use of Rock-Tenn's existing boilers for its energy needs is undesirable, from both an economic and environmental standpoint. The use of these boilers will significantly increase Rock-Tenn's operating costs from the current incremental coal-based economics. Such an increase is not sustainable in the current competitive market place. Thus, Rock-Tenn and the MPCA desire to investigate and evaluate alternative energy opportunities that will meet both the long-term economic and environmental goals and objectives of the parties.

III. OBJECTIVES

The objectives of this MOU are to: 1) establish a process and associated schedule for Rock-Tenn's good faith efforts to research, analyze, design, finance and construct an alternative economically viable primary source of steam for the Rock-Tenn facility that could result in fewer emissions for the units of energy produced by the existing boilers; and 2) provide for community participation in the process.

IV. TASKS

(Note: The new power plant may or may not be owned by Rock-Tenn Company. As indicated below, Rock-Tenn will transfer some of the tasks listed below to that owner once the owner of the future power plant is identified)

Rock-Tenn and the MPCA agree to undertake the following tasks:

1. Rock-Tenn will actively pursue a renewable energy alternative-fuel fired boiler project to replace the existing boilers as the primary supply of steam for the facility. Rock-Tenn has already made significant efforts to investigate the feasibility of various solid biomass fuels. Rock-Tenn has engaged various federal, state, county, and city organizations as well as private and non-governmental/non-profit organizations in this effort. Currently, a cooperative group consisting of Rock-Tenn, The St. Paul Port Authority, The City of St. Paul, Ramsey County, Eureka Recycling, and the Southeast Como Improvement Association has commissioned The Green Institute to study the availability and cost of various biomass fuels. In a separate study, Rock-Tenn is also working with Ramsey County and the City of St. Paul to study the amounts and types of wood waste that is generated during neighborhood clean-ups as a potential fuel.
2. Rock-Tenn will form a "Community Advisory Council" (CAC) and/or conduct periodic public meetings to inform the community of the company's plans for replacement of the steam supplied by the High Bridge steam line. Rock-Tenn will also discuss its plans with parties to the Good Neighbor Agreement between Rock-Tenn, Southeast Como Improvement Association, Prospect Park East River Road Improvement Association, and St. Anthony Park Community Council. The goal will be to provide for public participation in the review and analysis of proposed fuel alternatives. The MPCA may participate in any public meetings. Rock-Tenn has initiated its public outreach efforts in June and July of 2006 by meeting with various St. Paul District Councils to outline current plans.
3. Rock-Tenn, or the power plant owner, will develop a timeline with proposed benchmarks and milestones for consideration of a renewable energy alternative-fuel fired boiler project. The benchmarks and milestones will include consideration of conceptual design, detailed design, construction, financing, environmental review, and other federal/state/local permitting and public notification/comment process. It is understood that the timeline will be a working document subject to change based on public comments, permitting requirements, financing procurement or other matters under review. An initial timeline has been created as part of Clean Renewable Energy Bond (CREBs) application (in cooperation with Ramsey County and the St. Paul Port Authority) that was submitted to the U.S. Internal Revenue Service.
4. While operating the current boilers, Rock-Tenn will install required monitoring equipment, perform required monitoring/sampling plans, and comply with other regulatory/permit requirements as agreed to with the MPCA.
5. Rock-Tenn, and/or the power plant owner, will research and analyze the anticipated criteria and hazardous air pollutants associated with a renewable energy alternative-fuel fired boiler project. This information will be provided to the MPCA in connection with permitting for any proposed renewable energy alternative-fuels project.

6. MPCA will work cooperatively with Rock-Tenn, and/or the power plant owner, on technical issues related to implementation of Rock Tenn's proposed project(s) and the use of renewable fuels in Minnesota. As deemed appropriate by the MPCA, the MPCA may also provide direction and advice related to environmental policy, education, and other areas within their expertise to assist in Rock-Tenn's efforts. The MPCA has already provided data related to air emissions from existing woody, municipal waste, and refuel derived fuel biomass boiler systems and current state policy information related to waste-to-energy.
7. Rock-Tenn will evaluate energy reduction measures it can take on site to ultimately reduce the use of fuel oil and associated air emissions. Rock-Tenn has established a six-sigma project with a goal to evaluate energy usage and reduce the facility's process and heating load and increase energy usage efficiencies.
8. Rock-Tenn, and/or the power plant owner, will provide quarterly progress reports to the MPCA to discuss project status and, if necessary, recommendations to adjust timeline. Expected date of completion of the first report and timeline is 30 days after execution of this agreement, with subsequent reports due every three months thereafter.

V. GENERAL PROVISIONS

This MOU is not a contract and does not create or waive any legal rights, duties, or obligations of any party hereto. The parties shall use reasonable efforts to abide by the terms hereof.

VI. EFFECTIVE DATE

This MOU will become effective upon signature by the authorized representatives of the parties. The MOU shall remain in effect until termination by written communication between the parties. The provisions of this MOU shall be reviewed annually and amended or supplemented as may be agreed upon mutually. Nothing in this document will restrict the addition of new stakeholders as agreed to by the parties.

Signed by Jack Greenshields

Date: 10/15/06

Jack Greenshields, Senior Vice President & General Manager
Rock-Tenn Company, St. Paul Mills

Signed by Richard J. Sandberg

Date: 10/30/06

Richard Sandberg, Manager – Air Quality Permits Section
Minnesota Pollution Control Agency