

IN THE MATTER OF AN § BEFORE THE
AGREED ORDER CONCERNING §
EASTMAN CHEMICAL COMPANY, § TEXAS NATURAL RESOURCE
TEXAS OPERATIONS §
ACCOUNT NO. HH-0042-M § CONSERVATION COMMISSION

DOCKET NO. 2001-0880-RUL

The Texas Natural Resource Conservation Commission (the Commission or TNRCC) and Eastman Chemical Company, Texas Operations (the Company) enter into this Agreed Order for the purpose of achieving early reductions of emissions of nitrogen oxide (NO_x) as part of the development of a voluntary one hour ozone state implementation plan (SIP) for the Northeast Texas Region, which is composed of Gregg, Harrison, Rusk, Smith and Upshur counties. The Northeast Texas Region has been operating under a Flexible Attainment Region (FAR) agreement between the United States Environmental Protection Agency (EPA), TNRCC and Northeast Texas Air Care (NETAC) since September 16, 1996, which expires September 16, 2001. The FAR concept was developed to encourage local efforts to maintain levels of ground level ozone below the National Ambient Air Quality Standard (NAAQS). The Commission and the Northeast Texas Region agree that an early SIP proposal will continue to allow local officials to address air quality issues, while providing benefits for air quality in the Northeast Texas Region. As part of this continuing local effort, the Company has agreed to voluntarily reduce emissions of NO_x as agreed herein.

The Commission hereby orders the Company to comply with the requirements herein regarding control of NO_x from the facilities referenced below, pursuant to §§ 382.011, 382.012, 382.023, 382.024, and 382.025 of the Texas Clean Air Act (TCAA or the Act), Texas Health & Safety Code, Chapter 382, and § 110 of the Federal Clean Air Act, 42 U.S.C. § 7401 et. seq., for the purpose of revising the Texas SIP for Ozone Control.

I. STIPULATIONS

For the purpose of this Agreed Order, the parties have agreed and stipulated as follows:

1. Section 110 of the Federal Clean Air Act, 42 U.S.C. 7401 et. seq., requires Texas to submit

SIP revisions to the United States Environmental Protection Agency (EPA) for approval and to demonstrate that such SIP revisions provide for protection of the NAAQS.

2. Section 382.011 and 382.012 of the TCAA provide authority for the Commission to control the quality of the state's air and prepare and develop a general, comprehensive plan for the proper control of the state's air; and §§ 382.023, 382.024, and 382.025 of the TCAA provide the Commission's authority to issue orders. The issuance of this order is in compliance with the TCAA.

3. The Commission and the Company agree that the Commission has jurisdiction to enter this Agreed Order, and the Company is subject to the Commission's jurisdiction.

4. In order to better safeguard the air resources of this state, the Company agrees to comply with the terms of this Order.

5. The Commission and the Company acknowledge that the Company has entered into this Order voluntarily. Nothing in this Order shall be interpreted as evidence that the Company is causing or contributing to a violation of the NAAQS or is in any respect non-compliant with any federal, state or local law. Additionally, this Order shall not constitute a "compliance event" as defined in 30 TAC § 116.11 or any similar designation under federal, state or local law.

6. Nothing in this Order limits the Company's defenses in the TCAA or rules adopted pursuant to the TCAA, including 30 TAC §§ 101.6 (Upset Reporting and Recordkeeping Requirements), 101.7 (Maintenance, Start-up and Shutdown Reporting, Recordkeeping, and Operational Requirements), 101.11 (Demonstrations), and 101.12 (Temporary Exemptions During Drought Conditions).

7. Nothing in this Order supercedes any requirement of the TCAA or the rules and requirements of the Commission.

8. The Company owns and operates a chemicals and plastics manufacturing plant, located at Hwy. 149, Kodak Boulevard, Longview, Harrison County, Texas (the plant).

9. The plant consists of one or more sources as defined in §382.003(12) of the Act.

10. Monitoring, recordkeeping, reporting, and testing shall be conducted as specified in the commission's rules and requirements, or where applicable in any commission authorization, in addition to any requirement contained in this order to demonstrate compliance with stipulations 16-33 below, except that records shall be maintained until at least December 31, 2008. No shut-down shall be deemed in compliance with this Order unless operation of the facility is precluded by physically disconnecting all fuel sources to the facility, locking out the fuel supply using a car-seal or comparable device identified by serial number, or disassembly of the facility. For the shut-down of units, the Company shall notify the agency in writing no later than thirty days after the date of shut-down. The notification shall include documentation of the method used to shut down the facility. The Company may change shut-down methods at the facility provided record of the latest method is retained along with the record of all previous methods of shut down. The Company shall make records available upon request by the TNRCC or any other air pollution control agency with jurisdiction.

11. This Order does not authorize or prohibit any modification of the Plant listed above. The Company is ordered to submit the appropriate application or registration documentation to the TNRCC's Office of Permitting, Remediation and Registration for any authorization necessary to implement the requirements of this Order. This Order prohibits the start up of any facility that will be shut down as agreed in this Order after the date of the shut down, unless offsetting emission reductions are obtained at the plant and approved by the TNRCC. The Company must notify the Commission thirty days prior to the start up of the facility as well as obtain all other approvals, licenses or permits that may be required prior to the restarting of any facility.

12. Nothing in this Order shall preclude the Company from including the reduction in NO_x emissions from the change in operation or shutdown of the facilities at the plant in the Company's application for any voluntary emissions reduction permit (VERP), as authorized by 30 TAC Chapter 116, Subchapter H, however, nothing in this Order shall assure the eligibility of such reductions for inclusion

in any application for any VERP.

13. Notwithstanding any other provision of this Order, any delays in or failure of performance by the Company under this Order caused by an act of God, war, strike, riot, compliance with the rules and regulations or an order of any governmental authority, or other catastrophe beyond the reasonable control of the company (Force Majeure) shall not constitute a violation of this Order. The Company has the burden of establishing that such an event has occurred. In the event the Company's performance under this Order is prevented by the Force Majeure condition, the Company shall promptly notify the TNRCC of the particulars and estimated duration of such condition, shall keep TNRCC advised of the progress in eliminating such condition, and proceed with compliance with this Order as expeditiously as practicable.

14. In lieu of the Company's completion of one or more of the projects described in paragraphs 16-33 below, Company may propose one or more alternative projects provided the emissions reductions or the effect on the environment from such alternative projects are at least equivalent to those of the project(s) in paragraphs 16-33 below that will be replaced. If the Company elects to propose an alternative project, it will submit to TNRCC all information necessary for the TNRCC to evaluate and approve the alternative project. TNRCC will not unreasonably withhold such approval. Until TNRCC approves an alternative project or otherwise grants permission to the Company to cease performance of a project required under this Order, the Company shall remain obligated to perform the original project that the alternative project would otherwise replace. Any such alternative project(s) will not require modification to this Order or a SIP revision.

15. All notifications required by this Order (unless otherwise specified herein) shall be sent to:

Office of Environmental Policy, Analysis & Assessment
Strategic Implementation Plans Section, MC-206
P.O. Box 13087
Austin, Texas 78711-3087

Notifications required by this Order shall not substitute for any other notification requirement of the Commission or the TCAA.

16. On or before April 30, 2002, the Company will shut down grandfathered Cooling Tower No. 2 Engine, EPN 040PE3 at the plant, resulting in an estimated total reduction of 115.6 tpy of NO_x emissions based on engine horse power rating and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC.

17. On or before May 31, 2003, the Company will commit grandfathered Synthesis Gas natural gas fired Engine 11C-9, EPN 062C9 to serve only in a back-up service capacity at the plant, resulting in an estimated total reduction of 65.9 tpy of NO_x emissions based on engine horse power rating and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory number submitted to the TNRCC. The 1997 Emissions Inventory number for EPN 062C9 was 118.0 tpy. The Company agrees to restrict operating hours to 2190 hours annually.

18. On or before May 31, 2003, the Company will shut down grandfathered Synthesis Gas natural gas fired Engine 11C-16, EPN 062C16 at the plant, resulting in an estimated total reduction of 141.0 tpy of NO_x emissions based on engine horse power rating and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC.

19. On or before May 31, 2003, the Company will shut down permitted Synthesis Gas natural gas fired Engine 11C-17, EPN 062C17 at the plant, resulting in an estimated total reduction of 141.0 tpy of NO_x emissions based on engine horse power rating and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC. The permit allowable emission rate for EPN 062C17 is 243.3 tpy NO_x emissions.

20. On or before May 31, 2003, the Company will shut down permitted Synthesis Gas natural gas fired Engine 11C-19, EPN 062C19 at the plant, resulting in an estimated total reduction of 142.0 tpy of NO_x emissions based on engine horse power rating and AP-42 emission factors as extracted from the

Company's 1997 Emissions Inventory submitted to the TNRCC. The permit allowable emission rate for EPN 062C19 is 243.1 tpy NO_x emissions.

21. On or before May 31, 2003, the Company will shut down permitted Synthesis Gas natural gas fired Engine 11C-20, EPN 062C20 at the plant, resulting in an estimated total reduction of 139.0 tpy of NO_x emissions based on engine horse power rating and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC. The permit allowable emission rate for EPN 062C20 is 243.1 tpy NO_x emissions.

22. On or before May 31, 2003, the Company will shut down permitted Synthesis Gas natural gas fired Engine 11C-22, EPN 062C22 at the plant, resulting in an estimated total reduction of 44.0 tpy of NO_x emissions based on engine horse power rating and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC. The permit allowable emission rate for EPN 062C22 is 86.8 tpy NO_x emissions.

23. On or before May 31, 2003, the Company will shut down grandfathered Synthesis Gas Reformer Furnace H-1B, EPN 061H1B, resulting in an estimated total reduction of 1.2 tpy of NO_x emissions based on actual fuel usage and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC.

24. On or before May 31, 2003, the Company will shut down grandfathered Synthesis Gas Reformer Furnace H-1, EPN 061CD6 and EPN 061CD7, resulting in an estimated total reduction of 8.5 tpy and 6.1 tpy NO_x emissions, respectively, based on actual fuel usage and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC.

25. On or before May 31, 2003, the Company will shut down grandfathered Synthesis Gas Reformer Furnace H-5, EPN 061CD12 and EPN 061CD17, resulting in an estimated total reduction of 19.4 tpy and 10.2 tpy of NO_x emissions, respectively, based on actual fuel usage and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC.

26. On or before May 31, 2003, the Company will shut down grandfathered Synthesis Gas Reformer Furnace H-7, EPN 061CD14 and EPN 061CD61, resulting in an estimated total reduction of 7.2 tpy and 22.3 tpy of NO_x emissions, respectively, based on actual fuel usage and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC.

27. On or before May 31, 2003, the Company will shut down permitted Synthesis Gas Reformer Furnace H-11, EPN 062CD18A, EPN062CD18B and EPN 062CD18C, resulting in an estimated total reduction of 9.0 tpy, 9.0 tpy and 9.0 tpy of NO_x emissions, respectively, based on actual fuel usage and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC. The permit allowable emission rate for EPN 062CD18A, EPN062CD18B and EPN 062CD18C under FIN 062H11A is a combined limit of 28.3 tpy NO_x emissions.

28. On or before May 31, 2003, the Company will shut down permitted Synthesis Gas Reformer Furnace H-11B, EPN 062CD18A, EPN062CD18B and EPN 062CD18C, resulting in an estimated total reduction of 8.5 tpy, 8.5 tpy and 8.5 tpy of NO_x emissions, respectively, based on actual fuel usage and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC. The permit allowable emission rate for EPN 062CD18A, EPN062CD18B and EPN 062CD18C under FIN 062H11B is a combined limit of 28.3 tpy NO_x emissions.

29. On or before May 31, 2003, the Company will shut down permitted Synthesis Gas Reformer Furnace H-13A, EPN 062CD26 and EPN062CD28, resulting in an estimated total reduction of 13.1 tpy and 13.1 tpy of NO_x emissions, respectively, based on actual fuel usage and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC. The permit allowable emission rate for EPN 062CD26 under FIN 0X062H13A is 14.15 tpy. The permit allowable emission rate for EPN 062CD28 under FIN 0X062H13A is 21.9 tpy.

30. On or before May 31, 2003, the Company will shut down permitted Synthesis Gas Reformer Furnace H-13B, EPN 062CD26 and EPN062CD28, resulting in an estimated total reduction of 13.2 tpy

and 13.2 tpy of NO_x emissions, respectively, based on actual fuel usage and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC. The permit allowable emission rate for EPN 062CD26 under FIN 0X062H13B is 14.15 tpy. The permit allowable emission rate for EPN 062CD28 under FIN 0X062H13B is 21.9 tpy.

31. On or before May 31, 2003, the Company will shut down permitted Synthesis Gas Reformer Furnace H-17, EPN 062CD28 and EPN062CD32, resulting in an estimated total reduction of 13.6 and 13.6 tpy NO_x emissions, respectively, based on actual fuel usage and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC. The permit allowable emission rate for EPN 062CD28 and EPN 062CD32 is 48.2 tpy NO_x emissions.

32. On or before May 31, 2003, the Company will shut down permitted Synthesis Gas Reformer Furnace H-21, EPN 062H21, resulting in an estimated total reduction of 9.2 tpy NO_x emissions based on actual fuel usage and AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC. The permit allowable emission rate for EPN 062H21 is 15.3 tpy NO_x emissions.

33. On or before May 31, 2003, the Company will shut down standard exemption Synthesis Gas Heaters 15 and 16, EPN 062H15 and EPN 062H16, resulting in an estimated total reduction of 1.2 tpy and 1.2 tpy of NO_x emissions, respectively, based on AP-42 emission factors as extracted from the Company's 1997 Emissions Inventory submitted to the TNRCC.

II. ORDER

It is therefore ordered by the Texas Natural Resource Conservation Commission that Eastman Chemical Company, Texas Operations, shall, from and after the date of this Agreed Order, limit its emissions of NO_x as specified in paragraphs 16-33 above, and maintain compliance with this Order.

The provisions of this Agreed Order shall apply to and be binding upon Eastman Chemical Company, Texas Operations, its successors, assigns and upon those persons in active concert or participation

with them who receive actual notice of this Agreed Order by personal service or otherwise. Eastman Chemical Company, Texas Operations is hereby ordered to give notice of this Agreed Order to any successor in interest prior to transfer of ownership of all or any part of its plant, located at Hwy. 149, Kodak Boulevard, Longview, Harrison County, Texas and within ten days of any such transfer, provide the Texas Natural Resource Conservation Commission with written certification that such notice has been given.

The Chief Clerk shall provide a copy of this Order to each of the parties.

PASSED AND APPROVED at the regular meeting of the Texas Natural Resource Conservation
Commission on _____.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

For the Commission

ATTEST:

, Chief Clerk

S E A L

I am authorized to agree to the attached Agreed Order on behalf of the entity indicated below my signature, and do hereby agree to the terms and conditions specified therein.

Margaret Hoffman
Deputy Director, Office of Legal Services
Texas Natural Resource Conservation Commission

Date

Authorized representative of
Eastman Chemical Company, Texas Operations

Date