S-021092-SX-G-T

STATE OF MAINE
DEPARTMENT OF ENVIRONMENTAL PROTECTION
STATE HOUSE STATION 17 AUGUSTA MAINE 04333

DEPARTMENT ORDER

IN THE MATTER OF:

GREAT NORTHERN PAPER COMPANY, LLC;	)	**LICENSE**
GNP WEST, INC.; GNP HOLDING I, LLC; and	)	**TRANSFERS**
GNP EAST, INC.'S ACQUISITION OF KATAHDIN	)	**(Solid Waste)**
PAPER COMPANY LLC'S PULP AND PAPER FACILITIES	)	
IN MILLINOCKET AND EAST MILLINOCKET, MAINE	)	
(#	)	

Pursuant to Maine's Environmental Laws, 38 M.R.S.A. §§ 1301-1319Y, *Maine Hazardous Waste, Septage and Solid Waste Management Act*; Maine Department of Environmental Protection (Maine DEP) regulations promulgated pursuant to these laws; and the *Rules Concerning the Processing of Applications and Other Administrative Matters*, 06-096 CMR 2 (April 1, 2003), Maine DEP has considered the application of **Katahdin Paper Company LLC ("KPC")** and **Great Northern Paper Company, LLC ("GNP"), GNP West, Inc. ("GNP West"), GNP Holding I, LLC ("GNP Holding"), and GNP East, Inc. ("GNP East")** (collectively, the "GNP Companies") with its supportive data, agency review comments, and other related materials on file and FINDS THE FOLLOWING FACTS:

1. APPLICATION SUMMARY

A. Application. The GNP Companies submitted an application to Maine DEP for the transfer of Department licenses. The application sought to transfer to GNP Companies all active Maine DEP *licenses*, as defined in 06-096 CMR 2.1(J), any modifications, condition compliance orders, all other approvals, and all applications pending in the name of KPC relating to the pulp and papermaking facilities in Millinocket and East Millinocket, Maine. A schedule of licenses and applications pertaining to the transfer is set forth in Appendix A. Maine DEP accepted GNP Companies' license transfer application as complete for processing on August 30, 2011. Under 06-096 CMR 2.21(C)(1), before Maine DEP may transfer a license a transferee is required to demonstrate to Maine DEP's satisfaction the financial and technical capacity and intent to: (a) comply with all terms and conditions of the applicable license, and (b) satisfy all applicable statutory or regulatory criteria.

B. History

(1) The Transaction. On August 30, 2011, KPC and GNP, an affiliate of Cate Street Capital, Inc. ("CSC"), entered into an Asset Purchase Agreement, signed by Glen McMillan, Vice President, KPC, and Robert Desrosiers, Vice President, CSC, under which GNP or its affiliates will acquire from KPC substantially all of the assets of KPC in Millinocket and East Millinocket, Maine, including the Millinocket and East Millinocket pulp and paper mills (the "Mills"), but not the Dolby landfill and related properties. Contemporaneously with the closing of the Asset Purchase Agreement, KPC will convey the Dolby Landfills to the State of Maine. The GNP Companies have been organized by CSC as affiliated entities for purposes of acquiring the Mills

from KPC.

(2) **Company Structure.** GNP is the parent company of, and sole stockholder/member in, GNP West, GNP Holding, and GNP East. GNP West and GNP Holding will acquire the KPC Millinocket Mill assets. GNP East will acquire the KPC East Millinocket Mill assets that are the subject of a separate but parallel Order. The GNP Companies will hold, as co-licensees, certain solid waste permits (not associated with the Dolby Landfills) that are the subject of this Order.

(3) **Operations.** The Millinocket and East Millinocket facilities are integrated pulp and paper mills located adjacent to Millinocket Stream and the West Branch of the Penobscot River. When operating, the pulp mills produce approximately 1,180 tons per day of mechanical pulp using groundwood and thermo-mechanical pulping techniques. This pulp is supplemented by purchased kraft and CTMP pulp. Most recent operations found the mills producing approximately 600,000 tons of paper on an annual basis. Biomass used as fuel is stored on the Mill sites.

Solid wastes generated by the Mills, including sludges from paper making and wastewater treatment, wood ash, and boiler residues, have previously been land applied on agricultural and silvicultural lands or disposed of adjacent to the East Millinocket facility in a 70 acre landfill that consists of 17 disposal areas, or cells. This latter facility, collectively known as the Dolby Landfills, will be owned and operated by the State of Maine, and may continue to receive waste from the Mills, at the option of the GNP Companies. Solid wastes that are the subject of this Order are managed by land application.

2. TRANSFER REQUIREMENTS

The following information regarding GNP Companies was submitted in support of the transfer application:

A. Full Name and Address. The full name and address of the new owner is:

Great Northern Paper Company, LLC
One Cate Street
Portsmouth, NH 03801-7108

B. Title, Right, or Interest. GNP Companies submitted a redacted copy of the Asset Purchase Agreement between KPC and GNP Companies. Upon closing, all the assets subject to that agreement, including the Mills licensed by Maine DEP, will be transferred to GNP Companies.

C. Financial Capacity and Intent. GNP Companies asserted in their application that CSC has in place commitments for a $10 million credit facility required to fund GNP Companies' anticipated operations following the acquisition.

GNP Companies submitted "Estimated Annual Environmental Compliance Costs," an itemized list of expected annual environmental costs for the Mills totaling $791,000.

These cost estimates are stated to be conservative as they have been rounded up from prior costs incurred by prior mill operations. GNP Companies have included these costs in the financial model used to assure that adequate funds will be provided to cover all operations.

E. **Technical Capacity and Intent.** GNP Companies intend to hire the current Environmental Manager of the Mills, and several other current management employees who have direct responsibility for environmental compliance. The history of interactions among Maine DEP staff and these individuals has demonstrated their knowledge, experience, and competence. GNP submitted resumes of additional employees associated with CSC who will be responsible for environmental compliance which satisfactorily document their technical ability to operate the facilities in accordance with applicable laws, regulations, and license and permit conditions.

F. **Solid Waste Facility Disclosure.** The disclosure statement provided by GNP Companies in accordance with the *General Provisions*, 06-096 CMR 400.12, of Maine's Solid Waste Management Rules reveals that the corporation, its directors and operator, and all other companies and persons required to report, have no record of any criminal, civil violations or consent decrees in the last five years. Based on the information provided, Maine DEP finds that GNP Companies has presented clear and convincing evidence that the information supplied meets the intent of State law and regulations.

BASED ON THE ABOVE FINDINGS OF FACT, the Maine DEP CONCLUDES that GNP Companies have demonstrated the technical and financial capacity and intent to comply with the conditions of all Maine DEP licenses, permits, approvals, permits-by-rule, registrations, variances, certifications and amendments thereto, condition compliance orders and pending applications associated with the facilities described in this Order's findings, including specifically those licenses and applications listed in Appendix A, and to satisfy all applicable statutory and regulatory criteria. GNP Companies' intent to maintain operations as currently licensed, or seek amendment of those licenses, and financial capacity representations, should protect waters of the State and ambient air, prevent hazards to health or welfare or nuisance creation, and not result in pollutant release increases.

THEREFORE the Maine DEP APPROVES the application of Great Northern Paper Company, LLC; GNP West, Inc; GNP Holding I, LLC; and GNP East, as co-licensees, subject to the following:

1. **Standard Conditions.** The Standard Conditions associated with all approvals that are the subject of this Order apply hereto.

2. **Point of Effective Transfer.** The transfer of Katahdin Paper LLC's permits and pending applications shall become effective when the Applicants and KPC jointly certify in writing to the Department that the sale of Katahdin Paper Company LLC's licensed facilities to the Applicant has occurred.

3. **Sale Closure.** Within 30 days after transfer of the deeds to the facilities that are the subject of this Order, GNP Companies shall provide Maine DEP copies of the deeds.

4. **Standby Orders.** For all Orders listed as "Currently on Standby," GNP will notify the Department at least seven (7) days prior to resuming storage and/or spreading of each material; and resume required analytical testing and payment of the annual license fee at that time.

5. **Severability.** The invalidity or unenforceability of any provision, or part thereof, of this License shall not affect the remainder of the provision or any other provisions. This License shall be construed and enforced in all respects as if such invalid or unenforceable provision or part thereof had been omitted.

DONE AND DATED AT AUGUSTA, MAINE THIS 21st DAY OF SEPTEMBER 2011.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

By: Patricia W. Aho
Patricia W. Aho, Acting Commissioner

PLEASE NOTE ATTACHED SHEET FOR GUIDANCE ON APPEAL PROCEDURES

Date of initial receipt of application: August 30, 2011

Date application accepted for processing: August 30, 2011

Date filed with the Board of Environmental Protection _____

This Order prepared by Malcolm Burson, Office of the Commissioner.

Filed
SEP 21 2011
State of Maine
Board of Environmental Protection

APPENDIX A: CURRENT LICENSES AND APPLICATIONS

SOLID WASTE ORDERS

NUMBER	DESCRIPTION	DECISION DATE
W-7261-56-A-N	Wadleigh Ridge (TI R8 and TI R9) Site, Secondary Sludge and Bark Ash	03/11/87
W-7229-88-A-N	NEW: T3 Indian Purchase Experimental Compost / Wadleigh Ridge (TI R8)	05/04/88
W-7689-56-A-N	NEW: Long A TWP Site 2 Secondary Sludge & Bark Ash	10/18/88
W-7690-56-A-N	NEW: Long A TWP Site 3 Secondary Sludge & Bark Ash	11/08/88
W-7688-56-A-N	Long A Site #1, Secondary Sludge and Bark Ash	11/08/88

SOLID WASTE ORDERS – CURRENTLY ON STANDBY

NUMBER	DESCRIPTION	DECISION DATE
S-21545-SB-A-N	NEW: Millinocket-Program Approval To Landspread Sludge Fiber (Both Mills stand by))	08/22/95
S-21545-SB-B-M	REVISION: Millinocket-Change In Analytical Freq & Allow 180 Day Field Stacking	04/21/96
S-21545-SB-C-M	REVISION:Millinocket-Minor Revision To Allow A 365 Day Stacking Period Of West Operation WWTP	12/16/96
S-21545-SB-D-A	AMENDMENT: Millinocket-Short Paper Fiber Utilization Prog – Transition To Ch 419	05/30/01
S-21092-SE-B-R	RENEWAL: Woodash landspreading (stand by)	01/22/99
S-21092-SE-C-A	AMENDMENT: Wood Ash Land Application Resumption	05/30/01
S-21092-SE-E-A	Wood Ash Utilizing Program License Amendment – Allows Land Application of Bioash (Combo Sludge and Clean Wood)	01/07/05
S-21092-SE-F-C	Compliance with Special Conditions 2, 4, 5 and 7 of Order #S-21092-SE-E-A	4/22/10