



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

DEPARTMENT ORDER  
IN THE MATTER OF:

CMP ANDROSCOGGIN LLC'S	)	
ACQUISITION OF	)	LICENSE TRANSFERS
INTERNATIONAL PAPER COMPANY'S	)	(AIR, SITE LOCATION; SOLID WASTE;
JAY PULP & PAPER MILL	)	WASTEWATER; WATER QUALITY
(# A-203-70-C-T )	)	CERTIFICATIONS)

Pursuant to Maine law, 38 M.R.S.A. §§ 413 et seq., 481 et seq., 581 et seq., and 1301 et seq.; Maine Department of Environmental Protection (DEP) regulations promulgated pursuant to these laws; the *Rules Concerning the Processing of Applications and Other Administrative Matters*, 06-096 CMR 2; and Section 401 of the Federal Water Pollution Control Act, DEP has considered the application of CMP Androscoggin LLC (CMP Androscoggin) and International Paper Company (IP) with its supportive data, agency review comments, and other related materials on file and FINDS THE FOLLOWING FACTS:

**1. APPLICATION SUMMARY**

**A. Application.** DEP accepted an application as complete for processing on June 20, 2006, that sought to transfer to CMP Androscoggin all active *licenses*, as defined in 06-096 CMR 2.1(K), any modifications, condition compliance orders, all other approvals, and all applications pending in the name of IP relating to a Pulp & Papermaking Mill in Jay, Maine (hereinafter referred to as the *Jay Mill*). A schedule of permits and applications that were the subject of that application, and this Department Order, is set forth in Appendix A.

**B. History.**

**(1) The Transaction.** On June 4, 2006, IP and CMP Holdings LLC, a Delaware corporation, entered into a Purchase Agreement, under the terms of which CMP Holdings will acquire IP's Magazine and Coated Papers business, comprised of four pulp and paper mills, including the Jay Mill, and certain related assets that are used in the conduct of that business and other assets. These assets include the pulp and paper mill at Bucksport, Maine, the licenses for which are the subject of a separate order. CMP Holdings LLC structured the acquisition so that its wholly-owned subsidiary, CMP Androscoggin, will take title to and operate the Jay Mill and its assets. Upon closing, CMP Androscoggin will own the Jay Mill operations and its various related assets. The parties anticipate that the closing will occur on July 31, 2006.

**(2) Operations.** The Jay Mill is an integrated pulp and paper mill located adjacent to the Androscoggin River in Jay, Maine. The Jay Mill has been in operation since 1965 and presently employs approximately 1,050 people. The Jay Mill produces an average of approximately 1,450 tons of pulp paper per day and 1,800 tons of coated paper per day.

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The Jay Mill includes two wood yards, two wood rooms, utilities, two continuous pulp digesters, two bleach plants, five paper machines and a deep well storage for finished products. Operations at the Jay Mill have been and will continue to be conducted as an integrated whole with the three other pulp and paper mills of the Magazine and Coated Papers business. Net sales of that business were \$1.6 billion in 2005, generating a net operating income of \$60.2 million in 2005.

Licensed air emissions originating at the Jay Mill result primarily from its chemical recovery system and power boilers that are used to generate steam and electricity for the Jay Mill.

Licensed wastewater discharges originating at the Jay Mill result primarily from the pulp and papermaking process. The Jay Mill uses an on-site wastewater treatment plant, with two primary clarifiers, aeration lagoons and two secondary clarifiers, to treat direct pollutant discharges to the river.

Water quality certifications have been granted for licenses issued by the Federal Energy Regulatory Commission for four dams associated with the Jay Mill.

Solid wastes generated by the Jay Mill are licensed for disposal at the landfill located adjacent to the Mill on property owned and operated by the Jay Mill.

**2. TRANSFER REQUIREMENTS.** The following information regarding CMP Androscoggin was submitted in support of the transfer application:

**A. Title, Right and Interest.** Excerpts from the Purchase Agreement (June 4, 2006) were submitted in support of the pending application. That material documents CMP Holdings LLC's intent to purchase assets associated with IP's Magazine and Coated Papers business, including the Jay Mill and appurtenant facilities, and its right to convey those interests to CMP Androscoggin. Unless and until the sale is consummated, title, right and interest in the Jay Mill remains with IP.

**B. Financials.** CMP Androscoggin submitted financial information concerning the acquisition of the Bucksport Mill and the other three mills that comprise IP's Magazine and Coated Paper business.

1) **Capacity and Intent.** Apollo Management VI, L.P. (Apollo) is manager of a \$10 billion fund of committed equity capital; it will be contributing to CMP Holdings up to \$261 million of its cash toward the cost of acquiring IP's Magazine and Coated Papers business, which in total is approximately a \$1.4 Billion acquisition; the balance of this transaction is financed. Upon closing CMP Bucksport's acquisition of the Bucksport Mill, its parent, CMP Holdings will have a revolving credit facility of \$200 million which will be available to the Jay Mill and the other three mills being acquired to meet operating expenses and to provide working capital. This line of credit is in addition to the income generated by operations of the Jay Mill and the other three mills being acquired which were sufficient to meet operating expenses and generate \$60.2 million of net operating income.

2) **Landfill Assurance.** Financial assurance for the costs of closure and post-closure care for the landfill will be provided by a letter of credit and standby trust. While drafts of these instruments were reviewed as part of DEP's application evaluation,

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they will be executed and issued at or before closing in an amount equal to the estimated costs of closure and post-closure care for the landfill previously submitted to the DEP by IP.

**C. Technical Capacity and Intent.** CMP Androscoggin has represented that its acquisition of the Jay Mill and appurtenant facilities is not expected to result in any significant change in the employees that currently operate the equipment, facilities, and other activities at the Jay Mill. The Jay Mill's regulatory history with DEP demonstrates that the environmental personnel are technically proficient in the operation of air pollution control, wastewater control, solid waste handling and disposal, hydropower facility and hazardous waste management systems. In addition to on-site expertise, the Jay Mill will also be able to call upon the experience and expertise of personnel from IP's Magazine and Coated Papers business who will be joining CMP Holdings, in ensuring compliance with all applicable licenses and applications for all four mills being acquired, including the Jay Mill.

**D. Solid Waste Facility Disclosure.** The disclosure statement provided by CMP Androscoggin in accordance with the *General Provisions*, 06-096 CMR 400.12, of Maine's solid waste management rules reveals that the corporation, and its directors and operator have no record of any criminal, civil violations or consent decrees in the last five years. In addition, CMP Holdings LLC, the 100% equity owner of CMP Androscoggin, and Apollo, and their directors and officers, have no record of any criminal or civil violations or consent decrees in the last five years.

BASED ON the findings of fact in this Order, DEP CONCLUDES:

- 1. TITLE, RIGHT OR INTEREST.** While an acquisition is contemplated by the Purchase Agreement, CMP Androscoggin must submit documents demonstrating consummation of the transaction, likely in the form of a deed, such that title, right or interest is clear. Unless and until the sale is consummated and the conditions of this Order are complied with, title, right and interest in the Jay Mill remains with IP.
- 2. FINANCIAL CAPACITY & INTENT.** The past profitability of this group of mills, line of credit available to the group, and draft landfill assurance mechanisms approved as commented on demonstrate the financial capacity and intent to comply with the conditions of all 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, provided that executed copies of the landfill assurance mechanisms are submitted once final. Unless and until the sale is consummated and the conditions of this Order are complied with, financial responsibility for the Jay Mill remains with IP.
- 3. TECHNICAL CAPACITY & INTENT.** The core group of employees currently operating the facility and CMP Androscoggin's expectation that they will remain demonstrates the

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technical capacity and intent to comply with the conditions of all 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. A lack of enforcement history with this applicant and the other individuals and entities disclosing their civil and criminal record further support this conclusion. Unless and until the sale is consummated and the conditions of this Order are complied with, technical responsibility for the Jay Mill remains with IP.

4. **POLLUTION.** CMP Androscoggin's plans to maintain operations as currently licensed, in combination with the known technical staff expected to remain at the facility, and financial capacity demonstrated, 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 DEP APPROVES the application of CMP Androscoggin SUBJECT TO THE FOLLOWING CONDITIONS and all applicable standards and regulations:

1. **STANDARD CONDITIONS.** The Standard Conditions associated with all approvals that are the subject of this Order apply hereto.
2. **TITLE, RIGHT & INTEREST.** Immediately upon consummation of the transaction described in Finding of Fact 1(B) of this Order, CMP Androscoggin shall provide signed documentation demonstrating completion of the transaction in order to satisfy the title, right or interest requirements described in Finding of Fact 2(A) and Conclusion 1 of this Order. This transfer of IP's licenses and applications for the Jay Mill shall not become effective unless and until this condition is satisfied.
3. **SOLID WASTE FINANCIAL ASSURANCE.** Immediately upon consummation of the transaction described in Finding of Fact 1(B) of this Order, CMP Androscoggin shall provide signed documentation of the executed Letter of Credit and Standby Trust in the form as commented on and approved by DEP in order to satisfy the financial assurance requirements described in Finding of Fact 2(B) and Conclusion 2 of this Order. This transfer of IP's licenses and applications for the Jay Mill shall not become effective unless and until this condition is satisfied.
4. **EFFECT ON EXISTING ORDERS.** Unless specifically superseding a provision, nothing in this Order shall be construed to affect the findings, conclusions and conditions contained in the Orders listed in Appendix A.
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.

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DONE AND DATED AT AUGUSTA, MAINE THIS 12~~11~~ DAY OF July, 2006.

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By: \_\_\_\_\_

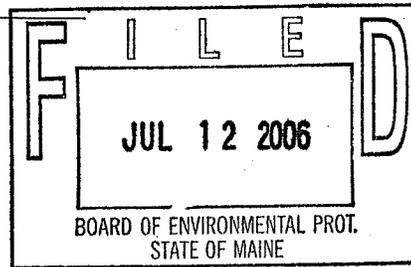
David Littell, Commissioner

PLEASE NOTE ATTACHED SHEET FOR GUIDANCE ON APPEAL PROCEDURES

Date of initial receipt of application 06/12/06.

Date application accepted for processing 06/20/06.

Date filed with the Board of Environmental Protection \_\_\_\_\_



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**APPENDIX A:**

**LICENSES, APPLICATIONS AND TAX CERTIFICATIONS TRANSFERRED**

AIR QUALITY ORDERS		
NUMBER	DESCRIPTION	APPROVED
<b>AIR EMISSIONS LICENSES:</b>		
A-203-70-B-A	Amend Title V Air Emission License #A-203-70-A-I To Include Facility's Strategy For Complying With 40 CFR Part 60 Subpart S & Chapter 124	Pending
A-203-70-A-I	Initial Part 70 Air Emission License Application	1/12/05
<b>TAX EXEMPTION CERTIFICATIONS:</b>		
A-203-75-B-N	Sales, Use Tax And Property Tax	1/25/89
A-203-75-H-N	Tax Exemption Cert. For Dust Collection System w/Baghouse	3/15/93
A-203-75-N-N	Low Sulfur Fuel Oil System For Recovery Boilers #1 And #2	1/20/95
A-203-75-O-N	Upgrades That Were Performed On The Bleach Plant Scrubber System	1/20/95
A-203-75-P-N	Resulting Modifications From Esp Air Flow Distribution Study On The Esp For Recovery Boilers 1 & 2	1/20/95
A-203-75-U-N	Modifications That Were Performed To The "A" Lime Kiln To Reduce Particulate Emissions	2/27/96
A-203-75-V-N	84 Automatic Port Rodders Installed On #1 Recovery Boiler Primary Air System	2/27/96
A-203-75-W-N	Modifications To "A" & "B" Lime Kilns To Ensure Control Of Noncondensable Gases From Power Plant & Mill	2/27/96
A-203-75-D-N	3 Tax Certification Applications	3/21/90
A-203-75-X-N	Certification For The Blow Tank Gas Collection System	2/27/96
A-203-75-AM-X	Certification For Low NOx Burners-1&2 Pb & Flash Dry To Reduce Nitrogen Oxide Emissions	8/19/97
A-203-75-AN-X	Certification For Hvlc-Ncg Project Collects Low Concentration Trs Gases, Etc.	7/18/97
A-203-75-AO-X	Certification For Precipitator Spark Arrestors Added To Mill's Existing Esp	8/19/97
A-203-75-BC-X	Certification Of Cluster Rule Project, MACT 1 Condensate Collection & Treatment System & MACT I Lvhc System	2/26/03

WATER QUALITY ORDERS		
NUMBER	DESCRIPTION	APPROVED
<b>WASTE DISCHARGE LICENSE:</b>		
W-623-5N-F-R [ME 0001937]	51mgd Kraft Pulp & Paper Mill	9/21/05
<b>TAX EXEMPTION CERTIFICATIONS:</b>		
W-7596-63-A-N	Tax Exemption	4/21/88
W-7597-63-A-N	Tax Exemption	4/21/88
W-7598-63-A-N	Tax Exemption	4/21/88
W-7650-64-A-N	Sales & Property Tax Exemption	3/28/90
W-7651-64-A-N	Sales & Use Property Exempt Tax	3/28/90
W-7671-64-A-N	Tax Exempt Industrial Waste Discharge	3/1/91
W-7672-64-A-N	Tax Exempt Industrial Waste Discharge	3/1/91

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WATER QUALITY ORDERS		
NUMBER	DESCRIPTION	APPROVED
W-7863-64-A-N	Sales/Use Tax Exemption Cert	3/29/95
W-7864-64-A-N	Sales/Use Tax Exemption Certification	3/29/95
W-7865-64-A-N	Sales/Use Tax Exemption Certification	3/29/95
W-7867-64-A-N	Sales/Use Tax Exemption Certification	3/29/95
W-7868-64-A-N	Sales/Use Tax Exemption Cert	3/29/95
W-7900-64-A-N	Sales/Use Tax Exemption Certification	3/19/96
W-7917-64-A-N	Sales/Use Tax Exemption Certification	3/19/96
W-7921-64-A-N	Sales/Use Tax Exemption Cert	3/19/96
W-7983-63-A-N	Tax Certification/Elemental Chlorine Free Phase I	11/14/97
W-7984-63-A-N	Tax Certification/Elemental Chlorine Free Phase II	11/14/97
W-7986-63-A-N	Tax Certification/Oxygen Delignification	11/14/97
<b>HYDROPOWER LICENSES AND CERTIFICATIONS:</b>		
L-18829-33-A-N	Water Quality Certification: Relicensing - Riley/Jay/Livermore Hydro Project	5/5/98
L-18830-33-A-N	Water Quality Certification: Relicensing - Otis Hydro Project	5/5/98
L-18830-35-A-N	Maine Waterway Development And Conservation Act Permit - Livermore Hydro Expansion	5/5/98

LAND DEVELOPMENT ORDERS		
NUMBER	DESCRIPTION	APPROVED
<b>SITE LOCATION OF DEVELOPMENT LICENSES:</b>		
L-509-L6-A-X	Install Outfall & Diffuser System As Part Of Wastewater Treatment Plant	6/9/76
L-1423-24-AG-M	Modification: Establish New Seasonal Wood Storage Areas	1/8/04
L-3554-26-A-A	Parking Lot	5/8/96
L-14715-14-B-A	Expansion Of Existing Clay Pit	6/9/92
L-15680-L6-A-N	Emergency Riprap	9/2/88

SOLID WASTE ORDERS		
NUMBER	DESCRIPTION	APPROVED
<b>SOLID WASTE LICENSES:</b>		
S-1423-WL-E-N	Lime Mud Beneficial Use	1/6/99
S-1423-WL-F-M	Lime Mud Utilization	8/20/99
S-1423-WL-G-M	To Accept Lime Mud Materials To Be Used In Paper Making Process From The Frasier Mill In Berlin, Nh	11/4/05
S-6247-WD-I-M	Acceptance Of Construction/Demolition Debris	7/23/92
S-6247-WD-N-R	Special Waste Landfill Renewal	9/21/99
S-6247-WD-W-M	Minor Revision To Special Waste Landfill	5/19/99
S-6247-WD-AB-A	Resubmittal Landfill Wedge Amendment	6/6/00

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SOLID WASTE ORDERS		
NUMBER	DESCRIPTION	APPROVED
S-6247-WK-AD-N	Ashcrete Processing Facility	9/12/00
S-6247-WL-AC-N	Beneficial Use Of Ashcrete/On Going/Without Risk Assessment	9/12/00
S-6247-WL-AE-M	Ashcrete Beneficial Use Minor Revision	4/8/03
S-6247-WT-O-N	Sw Lime Mud/Slaker Grit/Green Liquor Dregs From Ip	2/15/94
S-10258-WD-A-M	Landfill Closure	9/24/84
S-20082-SD-C-R	Renewal - Program Approval Bioash	4/25/95
S-20082-SD-D-M	Minor Revision Transition To Ch 419 & No Site Licenses	11/13/00
S-20748-SN-A-N	Industrial Sludge As Topsoil Cover For Andro Mill Landfill	10/23/92
S-21161-WN-A-N	Closing Plan-Dry Dump	8/10/93
S-21161-WN-C-M	Dry Dump Closure Minor Revision	8/26/02
S-21247-WK-A-P	Flume Grit Processing Facility Pbr	2/11/94
S-21247-WK-C-P	Relocation Of Flume Grit Processing Yard	6/15/04
S-22072-WD-A-N	East Side Landfill Expansion	4/28/03
S-22190-WO-A-N	Non-Secure Landfill Closing Plan	6/25/04
S-22222-ST-A-N	Appl For Residual Utilization Storage Site	11/12/03
S-20279-SJ-A-N	Landspread Biomass Ash: Wing Site	6/7/90
S-20286-SJ-A-N	Ash Landspreading: Dox Site	6/7/90
S-20389-SJ-A-N	Ash Landspreading: Moore Site	7/25/90
S-20395-SJ-A-N	Ash Landspreading: Kraske Site	7/31/90
S-20576-SJ-A-N	Ash Landspreading: Clough Site	6/19/91
S-20969-SJ-A-N	Ash Landspreading: Goodwin Site	9/10/93
S-21054-SJ-A-N	Ash Landspreading: Richards Site, Benton	9/1/93
S-21699-SJ-A-P	Ash Landspreading: Aitkin	6/19/97

HAZARDOUS MATERIALS ORDERS		
NUMBER	DESCRIPTION	APPROVED
REUSE LICENSES:		
O-62-HL-H-R	Beneficial Use Or Reuse License Renewal	pending