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**
And GNP EAST, INC.'S ACQUISITION OF	)	**TRANSFERS**
KATAHDIN PAPER COMPANY LLC'S	)	**Air; Site Location;**
PULP AND PAPER FACILITY	)	**Wastewater; Tax Exemption**
IN EAST MILLINOCKET, MAINE	)	**Certifications)**
(#L-11700-L6-E-T)		

Pursuant to Maine's Taxation and Environmental Laws, 36 M.R.S.A. §§ 656 and 1760, *Property Taxes: Real Estate* and *Exemptions*; and 38 M.R.S.A., §§ 413, *Waste Discharge Licenses*; 481, *Site Location of Development*; and 581-610A, *Protection and Improvement of Air*; 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 seeks to transfer to GNP and GNP East (collectively, "GNP Companies-East") 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 facility in 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 East will acquire the KPC East Millinocket Mill. GNP West and GNP Holding will acquire the KPC 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, under a third Order.

(3) **Operations.** The East Millinocket Mill is an integrated pulp and paper mill located adjacent to the West Branch of the Penobscot River. The pulp mill has produced approximately 600 tons per day of mechanical pulp using groundwood pulping techniques. This pulp is supplemented by purchased kraft and CTMP pulp. Most recent operations found the Mill producing approximately 230,000 tons of paper on an annual basis.

Licensed air emissions units at the Mill include primarily a groundwood pulp mill, recycle facility, paper mill, and Mill ancillary support equipment including 2 oil-fired boilers, one (1) multi-fuel boiler burning wood, bark, paper cores and other fuels from waste biomass and primary clarifier sludge from the Millinocket and East Millinocket mills, recycled plant sludge, railroad ties and telephone poles, and other ancillary support equipment. These boilers are used to generate steam and electricity for the mills.

Licensed wastewater discharges originating at the Mill results primarily from pulp and papermaking processes. The Mill utilizes an on-site activated sludge wastewater treatment plant located on the mill site, with primary clarifiers, aeration basins, and secondary clarifiers, to minimize direct pollutant discharges to the river.

Solid wastes generated by the Mills are burned as described above, land applied for agricultural or silvicultural purposes, sold for commercial purposes or disposed in a licensed landfill.

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. Certification. GNP certified that there will be no increase in air emissions beyond that provided for in the air emission license, either in quantity or type.

C. 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 East Millinocket Mill licensed by Maine DEP, will be transferred to GNP Companies.

D. 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.

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. The 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") and GNP East, Inc. ("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 Company 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. **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

AIR EMISSION ORDERS

NUMBER	DESCRIPTION	DECISION DATE
006-109ME03	PSD	05/01/79
A-405-70-A-I	NEW: Initial Part 70 license for papermill	11/13/02
A-405-70-B-M	REVISION: Allows temporary increase in fuel sulfur content	02/03/03
A-405-70-D-M	REVISION: Extend time period for allowing 2% in EB1 and EB2	05/22/03
A-405-70-E-A	AMENDMENT: Allow firing of waste oil	04/27/04
A-405-70-F-A	AMENDMENT: Define startup exemption	02/23/07
A-405-77-1-M	REVISION: Install cyclone as part of sludge handling system	12/14/09

AIR EMISSION APPLICATIONS

NUMBER	DESCRIPTION	DECISION DATE
A-405-70-G-R	RENEWAL: Application	(pending)

AIR FACILITY TAX EXEMPTION CERTIFICATIONS

NUMBER	DESCRIPTION	DECISION DATE
	NEW: E. Millinocket – Emission Control Systems	9/9/81
375 and 276	NEW: Bark Boiler – Pollution Control Equipment and Ash Handling System	03/05/85
A-405-75- I-X	NEW: Low NO_X Burners, Guns & Controls Installed In 94, 95, 97	03/12/98

LAND DEVELOPMENT ORDERS

NUMBER	DESCRIPTION	DECISION DATE
24-0696-19170	Primary Wastewater Treatment Plant – East Millinocket	05/18/73
26-0796-19170	NEW: Secondary Treatment Plant	03/26/75
L-11700-30-B-R	RENEWAL: East Millinocket—Maintenance Dredging	06/20/86
L-00796-20-BM	Industrial Expansion – East Millinocket (Post-70 improvements)	08/31/89
L-007967-20-B-C L-16637-20-B-C	CC: #2 – Condition Compliance for Condition 2 of 8/31/89 Order	09/06/89
L-16637-20-C-C	CC: #3	
L-16637-20-A-N	NEW: Industrial Modernization (Corrected Order) and after-the-fact (post-70)	12/20/89
L-16637-20-A-N	INDUSTRIAL EXPANSION (CORRECTED ORDER # 2)	4/24/90
L-16637-20-G-N	NEW: Recycling/De-Inking Plant	12/10/90
L-16637-20-E-C	CC: #11- Groundwater Monitoring Plan for East Millinocket	05/28/91
L-16637-20-H-M	REVISION: Modification-Riprap Stream Bank (Spencer Brook)	05/29/91
L-16637-L6-F-N	NEW: Concrete Containment Wall	11/07/91
L-16637-20-F-M	REVISION: Construct a Concrete Wall	11/27/91
L-16637-16-F-N	NEW:	11/27/91
L-16637-20-I-M	Recycling De-Inking - Corrected Order – Slight Modification in Size of De-inking Building	02/28/92
L-16637-20-J-M	REVISION: Modification Effluent Pipeline	02/12/92
L-16637-20-K-C	CC: #11, Groundwater Monitoring – Satisfaction of Condition 11	10/06/92
L-16637-20-I-M	REVISION: Minor Modification To Recycling/Deinking Plant	10/14/92

NUMBER	DESCRIPTION	DECISION DATE
L-16637-20-L-M	REVISION: Paper Mill Modification, Impervious Area Expansion	09/17/93
L-796-20-M-M	REVISION: Expansion Of Outdoor Biomass Storage (corrected 1/25/94) (East Millinocket)	01/03/94
L-16637-20-M-M	REVISION: Temporarily Consolidate Mechanical Pumping Processes	04/05/94
L-19349-L6-A-N	NEW: Drainage Improvements Adjacent to West Branch of Penobscot River	05/14/97
L-16637-20-N-M	REVISION: Construct Two Electrical Rooms On 5/6 Paper Machine Bldg	07/23/98
L-16637-20-P-M	REVISION: Adds two electrical rooms	07/23/98
L-16637-20-D-A	AMENDMENT: TMP plant change	12/22/98

WASTEWATER DISCHARGE ORDERS

NUMBER	DESCRIPTION	DECISION DATE
W-2228-44-A-R	RENEWAL: Industrial Major/ Renewal	03/28/90
ME0000175	401 Water Quality Certificate	10/03/90
W-2228-44-B-M	REVISION: Modification – Whole Eff. Toxicity	12/06/90
W-2228-68-A-N	NEW: NPDES Water Quality Certification	09/27/95
W-2228-68-C-N	NEW: 401 Water Quality Certification	07/01/99
W-2228-5N-B-R	RENEWAL: 60 Mgd Industrial Process & Cooling	05/24/11

WATER FACILITY TAX EXEMPTION CERTIFICATIONS

NUMBER	DESCRIPTION	DECISION DATE
W-7786-64-A-N	NEW:	01/22/75
	NEW: Interceptor System	01/22/75
149	NEW: Secondary Treatment	10/14/76
150	NEW: Water Use Reduction	10/14/76
434	NEW: PCB Transformer Containment Structures	05/06/85
W-7787-64-A-N	NEW:	03/31/93
W-7788-64-A-N	NEW:	03/31/93
W-7845-64-A-N	NEW: Screw presses and associated equipment	11/21/94
W-7844-64-A-N	NEW: Chemical spill containment	03/29/95