

IN THE MATTER OF:

RED SHIELD ENVIRONMENTAL, LLC's	)	
ACQUISITION OF FORT JAMES	)	LICENSE TRANSFERS
OPERATING COMPANY'S	)	(AIR; SITE LOCATION)
MILFORD (COSTIGAN) CHIP MILL	)	
A-671-71-D-T	)	

Pursuant to Maine law, 38 M.R.S.A. §§ 481-490, and 581-610-A; Maine Department of Environmental Protection (D.E.P.) regulations promulgated pursuant to these laws; and the *Rules Concerning the Processing of Applications and Other Administrative Matters*, 06-096 CMR 2, D.E.P. has considered the application of Red Shield Environmental, LLC (R.S.E.) with its supportive data, agency review comments, and other related materials on file and FINDS THE FOLLOWING FACTS:

**1. APPLICATION SUMMARY**

**A. Application.** The D.E.P. accepted an application as complete for processing on December 1, 2006, that sought to transfer to R.S.E. 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 Fort James Operating Company (Fort James) that relate to the chip mill in Costigan Village, Milford, Maine (hereinafter referred to as the *Milford Facility*). A schedule of permits and applications that were explicitly the subject of that application, and this Department Order, is set forth in Appendix A; it is D.E.P.'s intent to transfer all licenses issued and applications pending that are necessary to own and operate the facility.

**B. History.**

**(1) The Transaction.** On October 5, 2006, Fort James, its parent corporation Georgia-Pacific Corporation (GP), and the Maine Rural Development Authority (MRDA) entered into a Purchase and Sale Agreement, under the terms of which MRDA acquired the Old Town Facility upon closing. Pursuant to a separate Agreement, also dated October 5, 2006, immediately upon closing with Fort James, MRDA would immediately "... sell, transfer, convey, assign and deliver its rights, title and interest..." to R.S.E. Upon closing, R.S.E. would fully own the Old Town Facility and its various related assets. The closing occurred on November 3, 2006.

Pursuant to the same Purchase and Sale agreement referenced above, MRDA also agreed to purchase the Chip Mill assets in Milo, Houlton, and Milford (Costigan) owned by Fort James. In the separate Agreement also referenced above, MRDA

agreed simultaneously to transfer and assign its rights in the Chip Mill to R.S.E., such purchase and transfer to close no later than December 31, 2006.

**(2) Operations.** The Milford Facility is a chip mill located on the Stud Mill Road, Costigan Village, Milford, Maine. Operations at the location are expected to sell hardwood chips to R.S.E.'s biomass power plant in Old Town, and others in the regional hardwood chip market.

Licensed air emissions originating at the Milford Facility result primarily from a 6.84 MMBtu/hr generator.

**2. TRANSFER REQUIREMENTS.** The following information regarding R.S.E. was submitted in support of its transfer application:

**A. Full Name and Address.** The full name and address of the facility is:

Red Shield Environmental, LLC  
Milford (Costigan) Chip Mill  
123 Champion Way  
Stud Mill Road  
Milford, Maine 04461

**B. Certification.** R.S.E. certifies that there will be no increase in air emissions beyond that provided for in the existing licenses, either in quantity or type.

**C. Title, Right and Interest.** The Purchase and Sale Agreement (October 5, 2006) between Fort James and MRDA and the Agreement (October 5, 2006) between MRDA and R.S.E. were submitted in support of the pending application. That material documents MRDA's intent to purchase the Milford Facility, and its right and intent to convey the same to R.S.E. Unless and until the sale is consummated, title to the Milford Facility remains with Fort James.

**D. Financials.** R.S.E. is comprised of three primary investors. These individuals plan to finance the transaction with debt and an undisclosed amount of personal equity. Ongoing debt service and operations will be financed through the sale of power from the bio-mass boiler, and receipt of rental income from tenants committed to locating business operations at the Old Town Facility. Information submitted as *pro forma* financial data approximate \$16.5M in revenue and \$11M in operating expenses, resulting in \$5.5M of net income before taxes, all of which was developed for R.S.E. by Competitive Energy Services, a Maine based energy consulting firm. This income is planned to fund capital improvements that R.S.E. believes are not necessary to achieve compliance, but are intended to in part increase environmental performance. R.S.E. provided evidence of \$7M in debt financing from Chittenden Trust Company.

**C. Technical Capacity and Intent.** R.S.E. identifies Edward T. Paslawski, its manager, as having overall responsibility for chip mill operations. R.S.E. represented its intent to hire a Plant Manager/Engineer and other employees for the Milford Facility, and to provide in-class and on-the-job training for all staff, provided in-house or through a vendor.

MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION ORDER  
IN THE MATTER OF:

Red Shield Environmental, LLC: Milford Chip Mill )

License Transfers

R.S.E. also indicates its intent to retain Woodard and Curran and C.E.S., Inc., when needed to assist with operations and training.

BASED ON the findings of fact in this Order, the D.E.P. CONCLUDES:

- 1. TITLE, RIGHT OR INTEREST.** The Purchase and Sale Agreement and Agreement described in paragraph 1(B)(1) of this Order demonstrate that R.S.E. has sufficient interest in the Milford Facility to warrant conditioned approval of its application. While an acquisition is documented as contemplated, R.S.E. must document consummation of the transaction, likely in the form of a deed, such that its title, right or interest is demonstrated.
- 2. FINANCIAL CAPACITY & INTENT.** The revenue forecast for R.S.E. are sufficient to pay for operations, debt service, and likely capital improvements, thus demonstrating the financial capacity and intent to comply with the conditions of all D.E.P. licenses and to satisfy all applicable statutory and regulatory criteria.
- 3. TECHNICAL CAPACITY & INTENT.** The identified mill and environmental manager, and R.S.E.'s contracting with engineering expertise demonstrates the technical capacity and intent to comply with the conditions of all D.E.P. licenses 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.
- 4. POLLUTION.** R.S.E.'s plans to maintain certain operations as currently licensed, or seek amendment of those licenses, and financial capacity representations, should protect ambient air, prevent hazards to health or welfare or nuisance creation, and not result in pollutant release increases.

THEREFORE D.E.P. APPROVES the application of R.S.E. 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, R.S.E. 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(C) and Conclusion 1 of this Order. This transfer of Fort James's licenses and applications for the Milford Facility shall not become effective unless and until this condition is satisfied.
- 3. EFFECT ON EXISTING ORDERS.** Unless specifically superseding a provision, nothing in this Order shall be construed to affect the findings, conclusions and conditions contained

MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION ORDER  
IN THE MATTER OF:

Red Shield Environmental, LLC: Milford Chip Mill )

License Transfers

in the licenses listed in Appendix A or any others applicable to operations but inadvertently excluded from that list.

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 22<sup>ND</sup> DAY OF DECEMBER, 2006.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

By: \_\_\_\_\_  
David P. Littell, Commissioner

PLEASE NOTE ATTACHED SHEET FOR GUIDANCE ON APPEAL PROCEDURES

Date of initial receipt of application 11/30/06.

Date application accepted for processing 12/01/06.

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

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

MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION ORDER  
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Red Shield Environmental, LLC: Milford Chip Mill )

License Transfers

**APPENDIX A**

AIR POLLUTANT EMISSION DECISIONS & APPLICATIONS

<b>NUMBER</b>	<b>DESCRIPTION</b>	<b>ISSUED</b>
A-671-71-C-R	Minor Source License, renewal	4/15/2002

LAND DEVELOPMENT DECISIONS

<b>NUMBER</b>	<b>DESCRIPTION</b>	<b>ISSUED</b>
L-016613-26-A-N	Site Location: Woodchip plant and associated facilities	11/27/90