

**MILLAR WESTERN FOREST PRODUCTS LTD.
APPLICATION FOR CERTIFICATE OF VARIANCE
TO EXTEND OPERATION OF FOX CREEK WOOD-WASTE INCINERATOR**

BACKGROUND

Since purchasing the Fox Creek sawmill in 2007, Millar Western has been making plans to decommission the operation's wood-waste incinerator, in keeping with the Alberta government's goal of phasing out these facilities. The burner shutdown was delayed, however, as the company focused on rebuilding the Fox Creek sawmill after it was lost to fire in 2008. With the new mill up and running, we have accelerated our efforts to identify wood-waste disposal alternatives that will allow us to take the burner out of operation.



FOX CREEK WOOD-WASTE INCINERATOR

Fox Creek's burner was built by the mill's previous owner, and has operated without incident since being commissioned. On an annual basis, it burns just over 50,000 bone dry tonnes of wood waste, comprising trim blocks from the planer mill, as well as sawdust and bark/debris (referred to as "hog") from the sawmill. The burner runs approximately 10 hours/day, 4 days/week, usually 7 am - 5 pm.

In past years, incineration was our industry's primary method of disposing of wood waste. Like other forest products companies, however, Millar Western has made huge advances in finding new uses for residuals: we use sawmill chips to make pulp; we provide pulp mill biomass to local farmers for soil enhancement; and we supply other wood waste to area companies for conversion into useful products such as newsprint, green electricity and panelboard. It is this strategy, of making efficient, no-waste use of the entire tree, that we aim to bring to our Fox Creek mill.

FOX CREEK WOOD-WASTE DISPOSAL PLAN

After studying several options, we have decided to move forward with a plan that will have 65% of Fox Creek's wood residuals (mostly hog) delivered to a local wood-waste facility for conversion into renewable energy. Trim blocks, which comprise

12% of total waste volumes, will be chipped and sold to local manufacturers of wood products. The remaining 23% of residuals, mostly sawdust, will be sold into the pellet market and to the oil and gas sector for use in land reclamation.

To realize this plan, Millar Western will need to conduct several plant upgrades at Fox Creek, including construction of loading infrastructure and installation of a chipper, conveyor system and storage capacity. Once the new wood-waste utilization plan has been implemented, we will permanently decommission the Fox Creek burner. As well as eliminating environmental impacts associated with burner use, the plan will enhance economic opportunities in the area and ensure environmentally sound use of our local forest resources.

CERTIFICATE OF VARIANCE APPLICATION

To allow time to execute all plan elements, we are applying to Alberta Environment and Sustainable Resource Development (AESRD) for a certificate of variance under the *Environmental Protection and Enhancement Act 78(1.)* This certificate will allow the Fox Creek wood-waste incinerator to operate to July 1, 2016, 18 months beyond the expiry of the current permit. The burner will continue to run at current rates – nearby residents should notice no difference in the facility's operation. To ensure there will be no air quality issues arising from continued burner operation, Millar Western has engaged an independent expert to conduct air modeling as part of the application process.

LET US KNOW WHAT YOU THINK!

We welcome and value the input of our neighbors. If you have any questions or comments regarding this application, please contact Jeff or Tom:

Jeff Shipton, Environmental Superintendent

Phone: (780) 778-2036, ext. 4270

Email: jshipton@millarwestern.com

Tom Thompson, Fox Creek Operations Manager

Phone: (780) 622-4296, ext. 113

Email: tthompson@millarwestern.com