



January 5, 2007

Dear Stakeholder;

North West Upgrading is in receipt of several Statements of Concern as sent to Alberta Environment in the spring of 2006. We appreciate the feedback provided by concerned parties and, as detailed design of the project proceeds, have been working to address these concerns.

Since the spring, North West has been working to complete responses to questions asked of us by the regulatory authorities arising from their technical review of our application and supporting Environmental Impact Assessment (EIA). Our responses to those questions have been submitted to the regulators and we are now turning our attention to the Statements of Concern (SOC's).

Many of the questions and concerns expressed in the SOC's were also raised by the regulatory authorities in their review of our application. The common issues raised in the SOC's received by North West are: socio-economic impacts; emergency response and planning; transportation and safety issues; cumulative effects and human health; noise, light; water requirements; potential impacts to surface and ground water; and air emissions.

This letter will highlight the key Project designs and company activities and commitments that we believe address these issues in a positive way. We believe that these actions demonstrate that North West is committed to responding to the needs and concerns that our neighbours have arising from either the North West Upgrading Project specifically or the cumulative effects of industrial development generally in the region.

Socio-Economic Impacts

To ensure the community is aware of employment and economic development opportunities for the area, North West has made formal presentations and held individual



discussions regarding project information to local Economic Development planning committee members, Chamber of Commerce members, and officials of Sturgeon County and neighbouring communities. North West has become a member of the Sturgeon County Economic Development Committee and will continue to participate in planning and resolution of concerns through that organization. To date, North West has received over 200 requests for employment and several dozen local commercial proposals; each of these will be reviewed as the project advances.

Although North West does not do community planning directly, we provide information to those that are responsible for, or impacted by, such planning. North West has provided socio-economic effect and project schedule information to economic and social planning representatives of Sturgeon County, other local communities, and law enforcement officials. North West participates in Sturgeon County's AdHoc Committee, which deals with planning matters on Community Enhancement, Emergency Services, Quality of Life, Transportation, and Utilities. In the greater Industrial Heartland area, North West participates in Industrial Heartland Collaboration to Address Resident Interests (IHCARI) meetings and subcommittees related to resident concerns and efficient development through use of common infrastructure.

Land use planning has been further facilitated through North West's participation in the IHCARI Land Use Planning Issue Resolution Panel. This panel is comprised of public members and residents, municipal government, provincial government, and existing plus planned local industries. Several meetings were held throughout 2005 and 2006. In addition, North West has been actively communicating with Sturgeon County through a number of meetings related to land use planning and mitigation efforts regarding industrial development.

Emergency Response and Planning

North West has been meeting with Sturgeon County emergency planning officials, existing and planned neighbouring industries, and the Sturgeon County-led AdHoc Committee to provide input on emergency services required for industrial development in the area. North West has joined the Northeast Region Community Awareness and



Emergency Response (NR CAER) organization, a partnership of more than 40 community-minded industries, municipalities, chemical transporters and government agencies dedicated to emergency response and education initiatives in the industrial region northeast of Edmonton. Through this organization, North West will share best practices for a coordinated response to any industrial emergency or area natural disaster. North West plans to continue membership in this organization through construction and operational life of the Project.

North West has developed an Emergency Response Plan (ERP) for the planned upgrader. The ERP provides detailed procedures to be followed in the event of an emergency. As detailed design progresses, North West will continue to refine the ERP and when completed, will file the ERP with area emergency responders.

Transportation and Safety

Although North West does not plan or construct transportation infrastructure directly, transportation planning has been facilitated through North West's many meetings with Sturgeon County planning officials, participation in Sturgeon County's AdHoc committee regarding transportation issues, and participation in AIHA-led initiatives related to efficient use and development of common infrastructure. North West has met with the Minister and senior officials of Alberta Infrastructure and Transportation regarding transportation planning for the area, and is meeting regularly with new industrial proponents and Sturgeon County officials to plan for the required mitigation of transportation issues.

North West is working with Sturgeon County infrastructure planners, future developers, and its industrial neighbours on traffic and road alignments. Local traffic studies for construction and operations phases, prepared by North West, are being shared with these parties to minimize short term impacts and plan for longer term growth solutions. This cooperation has resulted in Sturgeon County officials planning the construction and upgrade of an industrial area bypass roadway in the project area (Opal Road and Township Road 570) to reduce traffic congestion, and allow non-industrial traffic to bypass the heavy industrial area. Construction of this bypass is expected to be



completed by 2008, before the cumulative effects of traffic in the area due to the expected industrial development peak.

In response to concerns over rail traffic blocking public roadways, North West has amended its original Project plans and removed rail loading facilities from the original site plan. This change has eliminated the need to have multiple rail cars related to North West's operations crossing Highway 643. North West is now planning to use rail loading facilities owned and operated by others in the area through commercial arrangement. Product will be transported by pipeline or truck from the upgrader to existing rail loading facilities.

Cumulative Effects

To allow modeling and thus management of cumulative effects, North West has shared Project effects modeling amongst the area industrial proponents, and through our membership in the Northeast Capital Industrial Association (NCIA), with the Fort Air Partnership (FAP) who work to develop relevant, credible information to manage regional air quality and protect environmental health.

Cumulative effects issues have been discussed amongst new industrial proponents, Sturgeon County, and AIHA officials with the expectation of mitigation of such effects as traffic, noise, and emergency planning. North West has participated in AIHA-led initiatives related to Eco-Industrial master planning for the Heartland area, with a view toward mitigating the environmental footprint and cumulative effects of industrial development in the area.

Additional cumulative effects analysis incorporating proposed industrial development announced subsequent to the original cumulative assessment (included in the EIA filed with the North West Upgrader application) is included in the responses to supplemental information requests of the regulators. The conclusions of this updated cumulative effects assessment indicate that the project will achieve acceptable environmental performance standards and, with North West's commitment to appropriate mitigative measures, minimize the environmental impacts associated with the Project.

Noise

North West's facility will be located within the central region of Sturgeon's industrial area, and will incorporate noise mitigation designs. As noise is a receptor-based consideration, and since noise dissipates significantly with distance from the Project source, modeling, with the proposed mitigation, indicates that cumulative noise impacts to residential receptors are not anticipated to be significant, and will be within EUB guidelines for the area

Light

North West's facility will be located within the already-industrialized central region of Sturgeon's industrial area. Nonetheless, in response to stakeholder concerns, North West plans to mitigate concerns regarding light impacts by utilizing directional lighting in the design of the project. Similar to concerns regarding noise, with the proposed mitigation, impacts to residential receptors are not anticipated to be significant.

Water Requirements

North West's design already incorporates significant water-use reduction and recycle practices. For example, the upgrader will make maximum practical use of air coolers instead of water coolers for process requirements. This reduces the makeup water needed for evaporative losses, as well as reduces the generation of fog that could effect visibility on area highways. Water used in the upgrading process will be treated and recycled using best available technology economically available to reduce the use of raw water from the North Saskatchewan River. Water treatment equipment will allow use of surface runoff from within the site boundary to be treated and used within the process.

North West will continue to evaluate its process and operating practices through detailed design and when the plant is operational to determine further opportunities for reducing water use and maximizing water recycle.

Possible synergies and efficiencies regarding the withdrawal and use of water from the North Saskatchewan River are being explored. North West has met with existing and

planned industries in the project development area, a senior representative of the North Saskatchewan Watershed Alliance, and utility-planning officials of Sturgeon County in relation to water requirements, and will participate in practical initiatives as they may be economically developed.

Surface Water Impacts

As a part of the construction of the Project, North West will divert the watercourse that currently runs through the Project development footprint, and will direct surface water up-gradient from the Project site as may be affected by site development around the Project site through drainage ditches to ensure that surface drainage of the area is equal to that existing before the Project development. The diversion system will also include sedimentation control facilities that will ensure the water diverted will be of suitable quality for release back into the natural watercourse downstream of the project area. The banks of the diversion channel will be re-vegetated to provide cover and wildlife corridors for small wildlife species in the area. Federal Government officials (Department of Fisheries and Oceans) have reviewed the watercourse diversion plans and determined that there will be no adverse effects to fish habitat for the watercourse or the North Saskatchewan River due to North West's Project plans.

Ground Water Impacts

The Project is designed, built and operated to minimize any risk of contamination of groundwater regimes underlying the Project area. All process areas of the plant will be engineered and built with containment, thus any surface water will flow from process areas into ponds where the water will be treated and recycled for process purposes. Groundwater monitoring programs will be designed and installed to provide a baseline assessment of groundwater in the area, allow for early detection of any movement of natural constituents or contaminants off-site, and will include a mitigation program that will detail Operator Response plans in the unlikely event of an impact to groundwater. The soils underlying the project site are such that subsoil down-gradient flows are very slow, and any possible detection of groundwater impact would be dealt with before traveling off of the North West site. North West will also support and participate in regional groundwater monitoring initiatives as administered through NCIA.

Air Emissions

Since submission of the application, in response to stakeholder concerns regarding cumulative regional air quality, North West has augmented its sulphur capture complex for the Project. To further reduce sulphur dioxide emissions, an additional Claus unit has been added to each Sulphur Recovery Unit train to increase sulphur recovery from the EUB-required efficiency of 98.9% to 99.1%. This increase in sulphur recovery efficiency represents an 18% reduction in projected SO₂ release from North West's operations as compared to the original design described in the Project application. This improvement will ensure the North West facility is meeting or exceeding the EUB-required sulphur recovery efficiency. A flare management plan will be developed at least six months prior to beginning operations. Flaring will only be required for emergencies and maintenance operations.

North West has shared air emissions data with existing and planned industries in the project development area to allow industrial development to be planned considering cumulative effects in the area. North West is an active member of NCIA, and through NCIA supports the Fort Air Partnership (FAP). North West has provided FAP with data required to conduct an area-wide air emissions model, and North West will, with its neighbours, work with FAP's recommendations regarding air monitoring program and equipment required for the area.

North West believes these commitments and actions taken to address stakeholder concerns are a positive approach to ensure the Project can be developed in a responsible manner, balancing industrial development with environmental stewardship while minimizing community impacts. North West will, of course, continue to work to resolve all concerns and issues and North West commits to on-going participation with Sturgeon County and other ad hoc committees, the ICHARI, and the Voluntary Property Purchase Program. North West is also committed to ongoing and future participation in AdHoc groups regarding the effects of development of the area.



North West feels cooperation with other industry members within the Industrial Heartland Area, including Petro-Canada, Synenco, Agrium, Shell, Access, BA Energy, and Degussa, is critical to resolving cumulative effects concerns within the community. To that end, North West continues to participate in various joint industry efforts to resolve public concerns, including being an active member of the AIHA-led linear infrastructure task force looking at the long term planning needs for the Industrial Heartland area, as well as actively working with Sturgeon County officials and planners, planned project proponents, and existing industrial neighbors.

North West hopes this information alleviates some of your concerns regarding the upgrader project. I will contact you in the near future to provide additional information and answer any remaining questions you may have.

Yours truly,

North West Upgrading

A handwritten signature in blue ink that reads 'Doug Bertsch'. The signature is written in a cursive style with a long, sweeping underline.

Doug Bertsch
V.P. Regulatory Affairs

pc: Bob Germain, EUB
Corinne Kristensen, Alberta Environment
North West project contact list
Terry Bachynski
Brad Gillmour
Rhonda Bear