U. S. Steel Canada
Water Treatment Facility Update

August 9, 2011

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Supporting Environmental Stewardship

• **Our Goal Remains to Go Beyond Compliance**
  The philosophy of U. S. Steel Canada is to go beyond compliance with regulatory requirements. The existing treatment system is not up to that standard.

• **New Municipal By-Law**
  The changes made to City policy in September 2008, regarding compliance agreements and overstrength agreements under By-Law No. 04-150, further raised the bar for treatment of wastewater entering the sanitary sewer system.

• **Meeting All By-Law Requirements**
  Our plan is to not only meet the overstrength and compliance requirements, but to construct a facility that will meet all current limits under By-Law 04-150.
What Has Transpired Since March 2009?

• Agreement Reached to Allow Construction
  We reached an agreement with Council and the City to continue with a compliance agreement allowing for the completion of our Water Treatment facility. December 2010 was the agreed to timeframe for completion.

• Economic Downturn / Industry Collapse
  Throughout the downturn and despite the difficult decisions forced by the collapse of the steel market in 2009, U. S. Steel Canada continued to make investments into our facilities to improve our environmental performance – including continued construction of this facility.

• Project on Track for Completion
  The project continued on schedule for completion in December 2010 at which time U. S. Steel Canada would no longer require compliance agreements or overstrength agreements under the current framework of By-Law 04-150.
Bioreactors contain ‘bugs’ – simple bacteria / single celled organisms that breakdown or ‘eat’ nitrogen compounds (TKN) and organic compounds such as phenol.
Clarifiers perform the initial separation of solids in the effluent from cyanide and fluoride treatment.
Pressure filters remove the suspended solids in the effluent from the clarifiers after cyanide and fluoride treatment.
Labour Disruption

Lock-Out of USW Local 1005

• **Failure to Reach an Agreement**
  Despite the presentation of a fair and balanced, full and final offer from U. S. Steel Canada in the fall of 2010, the leadership of USW Local 1005 has yet to allow the membership to vote on the proposal. The result of the failure to reach an agreement was a company initiated lock-out of the workforce.

• **Continued Coke-Making**
  Since the lockout began, management has continued to operate the coke battery at Hamilton Works. This activity preserves and protects the asset.

• **Delay in Water Treatment Project**
  Contractor assigned to this project elected to cease their operations and remove their equipment from Hamilton Works in advance of the lock-out. Their position remains that they will not cross the picket line to complete the project.
Next Steps

Commitment to Completion

• **Project is Well Advanced**
  Contractors would require up to two additional months to prepare to resume construction, bringing the time required to complete the facility to approximately four-months following the end of the lock-out.

• **Short Term: We Will Comply With the By-Law**
  U. S. Steel Canada will not operate the coke battery if we are not in compliance. Failure to obtain the required compliance agreement from Council would result in a stoppage in our operations and potentially risk the future of the asset.

• **Long Term: No Agreement Will Be Required**
  Our investment in this project to date demonstrates our commitment to bringing our effluent in compliance with the By-Law. We will complete this project following a settlement with the USW Local 1005.
Our Request

The Path to Compliance

• **Our Commitment Remains Unchanged**
  Nothing has changed in our approach to compliance since March 2009. We remain committed to the completion of the water treatment facility and terminating our need for compliance agreements with the City.

• **Four-Months Post-Settlement**
  We have noted that four months are required to complete this project. It now appears unlikely that a settlement will be reached in time to meet the December 31, 2011, timeline. This means it is probable that we will be requesting an additional extension prior to the end of this year.

• **Proposed Approach**
  We believe that the most efficient and effective means to move forward is for Council to direct staff to work with U. S. Steel Canada to structure a compliance agreement that expires four-months following the signing of a new contract.
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