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Vermont House Committee on Energy and Technology  
Vermont House of Representatives

**RE: WestRock testimony on S.269 - Energy Savings Account Partnership Pilot Program**

Dear Chair Briglin and Members of the Committee:

Good morning, Chair Briglin and members of the Committee, my name is Mark Cline and I am the Regional General Manager for WestRock's Sheldon Springs recycled paper mill.

WestRock is a leading paper packaging manufacturer and recycler. We have 50,000 employees at roughly 300 locations around the world, and operate one of North America's largest recycling networks, managing about 7.5 million tons of recovered fiber each year.

We were very involved during the discussions that led to the passage of the current pilot program and appreciate the opportunity to talk about our experience with the Pilot to date, and why we support an extension.

Our Sheldon Springs Mill, located in Franklin County, is a 100% recycled paper mill that makes a coated recycled board (or CRB) used for cartons. The mill employs about 150 individuals in skilled trade jobs. On average, our hourly employees earn over \$80,000 per year between salary and benefits. Each year the mill diverts over 100,000 tons of paper from landfills and provides more than \$57 million in direct economic benefit to Vermont through payroll, taxes, and local purchases, including over \$8 million in annual energy spend.

The mill is challenged by high energy costs like many manufacturers in Vermont that operate in national and global markets. While the mill's energy intensity per ton of production is in line with our other CRB mills, its per-ton costs for energy are almost 54% higher than the average for the rest of our CRB group. This equates to a headwind of nearly \$3 million dollars annually and places the mill at a significant competitive disadvantage.

Part of our energy costs are payments into energy efficiency programs. The Mill contributes over \$356,000 per year in electrical efficiency charges, and approximately \$120,000 for natural gas efficiency. Historically, the Mill has had difficulty recouping these costs, particularly on the electrical side, due to restrictions in the energy efficiency program. That's why we were pleased to work with the legislature in 2018, and our partners at ACCD, Efficiency Vermont, the DPS, and our utilities VGS and VEC - establishing the current Pilot program. The Mill became involved with the Pilot because one of the benefits was that the program was to be structured to better support large industrial energy efficiency projects. Additionally, WestRock qualifies to use Pilot funds for thermal efficiency projects. This is important because, while the bulk of our energy spend is for electric energy, a higher portion of our use, and thus our opportunity for efficiencies, is on the thermal end.

However, as you've heard, the implementation of the Pilot was a slower process than anticipated due to delays in the regulatory process, COVID, and the inherent complexities involved in both establishing a program designed to handle transformative energy projects, and in implementing

those projects. The net result of all of this, is that what is on paper a 3-year pilot will be, in reality, a much shorter pilot. This limits not only the value that participants and the state can derive from the program but will also impact any evaluation conducted of the pilot at this time.

I'd like to quickly give you a real-world example of how this impacted WestRock as a Pilot participant. In early 2019 the Mill embarked on a \$20MM+ Combined Heat and Power, or CHP, project that would transform how the Mill consumes energy in our production process. Steam is a critical part of the papermaking process, and the CHP project would replace the mill's aging and inefficient steam boilers with a system that uses modern boilers to generate both steam and electricity. This one project would reduce the Mill's energy costs to below the WestRock recycled mill average, while increasing its overall thermal efficiency percentage by using the waste heat from an electric generating turbine to generate steam for the paper drying process. This size of this project is by its very nature a multi-year effort from start to finish to engineer, procure, construct and commission the system.

The Mill envisioned using Pilot funds to perform the necessary Front End Planning and prepare the project for the WestRock Capital Project Approval Process. The cost of this effort could approach \$750,000 and we believed it could be completed before the end of the Pilot. Based on early direction from the PUC and conversations with Efficiency Vermont and the Department, we believed that this project would fit within the Pilot parameters and began the process of submitting it for screening.

However, in late July 2021, in a response to questions on project qualification, the PUC issued an Order that stated that "ESA funds are intended to be used for planning and implementation of projects during the pilot program time frame (July 1, 2019, through June 30, 2022). They are not intended to be used to plan projects that are expected to be implemented in a future period after the ESA pilot program ends."

WestRock's interpretation of this guidance, which came nearly  $\frac{3}{4}$  of the way through the pilot, is that it functionally excludes projects like the CHP, which would not be implemented prior to the end of June 2022.

Based on this, WestRock initially intended to pivot to a backup project that would deliver significant energy savings, though certainly not to the degree that the CHP would. However, due to COVID restrictions and related workload, engineers were not available to complete the required work at the Mill in a timeframe that would fit within the pilot requirements. This then led us to turn to a third series of smaller projects that can be completed during the current pilot time frame.

These projects will deliver meaningful energy savings for the Mill, and we will be able to utilize 100% of our available Pilot funds. In that sense, this pilot will be successful. However, based on the current end date, we won't be able to leverage the Pilot for the transformational projects like the CHP that we had initially hoped for.

To conclude: the Pilot was envisioned as a means to allow large, sophisticated energy users to leverage their energy efficiency dollars more fully. Delays due to lengthy rulemaking, COVID-19, and the inherently complex nature of the energy projects in question have prevented the Pilot from reaching its true potential. This will lead to an incomplete picture of the Pilot's success.

Even still, early results from the Pilot are promising, and the underlying concept -- allowing participants to access more of their efficiency payments for a wider array of projects -- remains valid. With this in mind, we believe that an extension of the Pilot in which participants continue to pay into the program and have access to their funds would be both appropriate and advisable in that it will allow participants to realize the benefits of the pilot and allow regulators and the legislature to better evaluate its merits.

Our hope was that the program would be extended for another three years to allow the pilot and participants to gain the full experience that was envisioned when the original legislation was passed. While not a full three-year extension, S.269 provides both time and funds to allow participants to embark on more ambitious projects, while establishing a process to suggest needed changes to the existing Energy Savings Account program so that interested participants could transition seamlessly to this new program when the Pilot concludes. It also creates an opportunity for participants to request additional time for the Public Utility Commission to implement projects that may extend past the proposed 18-month extension.

While the details on all of this will be important, we appreciate the efforts of Efficiency Vermont, the Department, and ACCD in developing the proposal in S.269 and look forward to working with them and the legislature as this continues to move through the legislative process. We believe that this is a reasonable and workable path forward, and we hope that the committee will support it.

Thank you for the opportunity to speak with you today.