

25 March 2019

Ms. Mary Jo Krolewski,
Utilities Analyst Vermont
Public Utility Commission
112 State Street
Post Office Drawer 20
Montpelier, Vermont 05620-2701

Re: Case No. 19-0302-INV – Energy Savings Account Customer Selection Criteria

Dear Ms. Krolewski:

On behalf of WestRock, I appreciate the opportunity to provide commentary to the Public Utility Commission (Commission) on the proposed criteria for customer selection to the Energy Savings Account Pilot Program (ESAPP). WestRock participated in a stakeholder working group held by the Commission on March 19, 2019, and we would ask that these written comments be considered to supplement and clarify our verbal comments offered at that meeting.

Who We Are

WestRock is a global leader in sustainable paper packaging solutions, with 50,000 employees in over 300 operating locations around the world. In Vermont, we operate a paper mill in Sheldon Springs (Franklin County) that produces Coated Recycled Paperboard (CRB) from 100% recycled feedstock. The mill, which has been in operation since 1895, diverts over 100,000 tons of paper from landfills annually, and employs over 150 individuals at an average annual salary of over \$65,000. This includes a Professional Engineer to manage energy and energy efficiency at the Mill. Each year, the mill invests more than \$50,000,000 in the state's economy through payroll, taxes, and in-state spending.

Our Interest in the ESAPP

Papermaking is an energy-intensive industry, with energy purchases typically constituting our third largest cost (after fiber and personnel). An internal study conducted in 2016 found that the Sheldon Springs mill has some of the highest costs of purchased energy per ton of production in WestRock's United States mill system, which at the time consisted of 25 paper mills. On average, the mill's energy costs are 71% higher per ton than the company's four other CRB mills, despite the mill having above-average metrics for energy efficiency. The mill spends roughly \$9,000,000 per year on energy (electric and gas), and this equates to a roughly \$3,600,000 headwind. This makes the mill less competitive with both internal and external competitors, and places the mill at a disadvantage in terms of business development and capital investment.

Part of this higher cost comes in the form of Vermont's mandatory Energy Efficiency Utility (EEU) charge. Between 2010 and 2016, the mill paid approximately \$2,100,000 into the electrical side of the program (administered by Efficiency Vermont), but was only able to recover \$371,000 in direct benefit. This does not include costs incurred by the mill that are outside of the mandated EEU charge, but which were necessary to leverage EEU funds. While our ability to recover funds has improved in recent years, we view the ESAPP as a potentially attractive option because it would allow us to recover 100% of our

electrical EEU funds, and use those funds to recover the full costs of a wider array of projects than are eligible through the current EEU program, such as thermal efficiency and productivity projects.

Comments on Selection Criteria

We have reviewed the “ESA Participant Selection Criteria” proposed by Efficiency Vermont (EVT) in their March 14, 2019 letter to the PUC.¹ We generally concur with the recommendations made by EVT, and would like to offer the following observations and comments:

- 1) We generally agree that priority should be given based on the items listed by EVT:
 - i. Key employers which serve as anchor companies (large employers that are recognized as key to a region’s economic vitality) in rural areas
 - ii. Large energy users
 - iii. Companies with demonstrated experience in energy management including, but not limited to, employing staff who promote and implement energy management, completion of past energy management projects, etc.
 - iv. Demonstrated ability to quantify energy, energy productivity, and non-energy benefits of participation, as described by the selected customer
 - i. Non-energy benefits include demonstrated job growth or job retention due to participation in the pilot.
- 2) In addition to those listed, we believe priority should be given to applicants who have demonstrated that they have reached the boundaries of the current EEU program, and are no longer able to use them for significant benefit. One of the core purposes of the pilot is to determine whether such entities will be better able to leverage their EEU funds through the pilot structure vs. the current program.
- 3) The pilot should include at least one participant that meets the requirements of Act 150 allowing for the use of ESAPP funds for thermal projects.² The legislature was very intentional both in including this language, and in setting the requirements as they were, to allow for limited experimentation in cross-subsidization (using electrical efficiency dollars for thermal energy projects) as a part of the pilot. As such, the pilot would be incomplete without at least one participant that qualifies for this section.
- 4) Any timeline and budgeting requested during the RFP should be viewed as tentative in nature, and requirements for the amount of specificity in the information provided should be reasonable. Once selected, participants should have the ability to modify timelines and budgets, if needed, to fit into capital planning cycles and to account for other exigencies.

¹ Public Act No. 150 (2018 Vt., Adj. Sess.).

² Public Act No. 150 (2018 Vt., Adj. Sess.). Sec 2 (b) ((3) In addition, for a customer who is a manufacturer and whose purchases of regulated fuel exceeded 600,000 thousand cubic feet (MCF) in 2017, the Funds may be used for thermal energy and process-fuel efficiency for regulated fuels, and any regulated fuel savings attributable to investment of Customer EEC Funds through the pilot program shall be counted towards EVT’s performance indicators.

- 5) Participation in the ESAPP should **not** be predicated upon a participant committing additional funds above and beyond those available through the pilot program. This is contrary to the purpose of the pilot program (which was in part to eliminate the need for matching dollars), and moreover may eliminate potential participants who exist within a larger company that has a defined capital approval and spending cycle, if that cycle does not coincide with the four-week RFP window.

For example, expenditures of \$25,000 and higher at the Sheldon Springs Mill are considered capital expenditures and must be approved by corporate leadership through a lengthy and highly structured annual budget planning and approval process that concludes in May of each year. During this process, Sheldon Springs competes with WestRock's other facilities for a limited pool of capital spending. Outside of this process, the Mill's ability to commit to capital expenditures is extremely limited.

Comments on the ESAPP Request for Proposal (RFP)

Based on information provided at the March 19th Workgroup Meeting, we would like to provide the following comments and suggestions regarding the RFP which will be used to select participants.

- 1) The RFP should clearly state the level of detail expected in the responses, keeping in mind that the proposed four-week window provides a very short time frame in which to outline a three-year program for potential participants with complex manufacturing processes. The RFP should be geared towards determining whether prospective participants would be a good fit for the pilot program, but should not require respondents to propose a draft of the three-year energy plan that will be developed as a part of the pilot.
- 2) The RFP should give potential participants some general idea of the level of evaluation, measurement, and verification (EM&V) that will be required, and the expected costs that will be incurred for EM&V activities and the mandatory three-year energy plan that participants must create in cooperation with EVT or with other qualified entities with expertise in energy efficiency and EM&V techniques and accreditation. We recommend that EM&V standards be linked to industry-standard Key Performance Indicators (KPIs).
- 3) The RFP should contain an adequate period of time for questions to be submitted to the issuing body, including contact information for someone who can answer those questions (generally one for administrative question and one for engineering or process questions), and the answers should be distributed to all anticipated participants in the RFP.

Comments on Pilot Structure

Based on information provided at the March 19th Workgroup Meeting, and the questions that were raised by participants and staff, we would like to provide the following comments and suggestions regarding the structure of the pilot itself. We understand that the pending question in front of the Commission focuses on ESAPP Selection Criteria and RFP, but we believe that those items must be informed by the structure of the pilot itself.

- 1) It is important to have clarity on the disposition of existing funds that pilot participants have contributed into their “traditional” EEU account for the first half of CY2019. Additionally, it is important to have clarity on the status of ongoing projects that are tied to the traditional electrical EEU program. Requiring participants to forfeit their CY2019 payments (in WestRock’s case, expected to be roughly \$250,000 as of July 1, 2019) or requiring that any active projects undertaken using the traditional electrical EEU program would provide a significant disincentive to pilot participation by larger users.

To that end, WestRock recommends that pilot participants be given the option of rolling CY2019 funds into the pilot program on its commencement. This could be accomplished by allowing users to access unspent funds as of July 1, 2019. Alternately, the Commission could establish a date, such as July 1, 2019, after which future electrical EEU payments made by those selected to participate in the ESAPP be credited towards their ESA account, with the pilot itself commencing on January 1, 2020. This would require ceasing contributions six months prior to the end of the Pilot allowing time to close out any open projects before the final reports are due. In conjunction with this the Commission could allow only those EEC funds paid in the first half of CY2019 to be available for use under the existing rules until the end of CY2019 when the pilot becomes fully implemented.

Regarding projects funded by traditional electrical EEU payments that may be ongoing when pilot participation begins, we encourage the Commission to allow those projects to continue to proceed without alteration during the ESAPP. We note that there is language in Act 150 in Section 2(f) that states:

Other EEU Services. A customer that participates in the ESA Partnership Pilot shall not be eligible for other EEU services, except for an EEU appointed to deliver natural gas efficiency programs and measures.

It is our understanding that the intent of the legislators in adopting this language was to prevent “double dipping,” by which a participant in the ESAPP might also undertake new projects that would be funded by a program into which they no longer pay. It should not be read to prohibit the continuation of existing agreements between a pilot participant and an EEU to continue projects that were agreed to (and for which funding was set aside) prior to pilot participation.

- 2) Participants should be given significant discretion to plan and manage projects, and conduct measurement and verification in an independent fashion, subject to a series of pre-determined parameters. To that end, pilot participants should be able to select from a variety of vendors and contractors for project consulting, engineering, and EM&V, and those costs should be eligible for recovery using ESAPP funds. Where participants are required to use a single vendor (for example, in developing the required three-year energy plan), the Commission should require that vendor to charge a prevailing market rate.
- 3) Payments for ESAPP-funded projects should be made by remitting available funds to the pilot participant for payment to the vendor. The ESAPP should **not** function as a “customer credit program,” where a participant receives a credit against a future EEU bill in lieu of payment.

- 4) For those who are eligible to participate in the thermal portion of the pilot program, ESAPP funds should be eligible for use as matching funds against programs administered by thermal EEUs. We also wish to clarify that it is our opinion that, while thermal EEUs are not considered a part of the ESAPP, participants may work in coordination with thermal EEUs on projects which may draw funds from both sources. In this situation, we believe that credit against performance metrics for EVT and the thermal EEU should be granted in proportion to the funds contributed by each participant against the overall amount of funds provided for a project.

WestRock has been an integral part of the development process that has created the ESAPP, and we appreciate the opportunity to provide these comments. We found the March 19, 2019, stakeholder workshop extremely helpful, and would encourage the Commission to continue these for other aspects of the ESAPP. WestRock is ready and willing to participate in these or other meetings and conversations going forward.

We are happy to answer any questions or expand on any of the points noted above or in our verbal comments, which may be directed to Jerry Brown, jerry.brown@westrock.com, or Matt Wells, matthew.wells@westrock.com, and look forward to reviewing the Commission's order in this matter.

Sincerely,



Jerry Brown Ph.D., PE
Energy Efficiency Project Manager
WestRock, Sheldon Springs