

3 May 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 – PROPOSAL FOR DECISION-ENERGY SAVINGS
ACCOUNT PILOT PROGRAM.

Dear Ms. Krolewski:

On behalf of WestRock, I appreciate the opportunity to provide commentary to the Public Utility Commission (Commission) on the PROPOSAL FOR DECISION-ENERGY SAVINGS ACCOUNT PILOT PROGRAM. WestRock participated in a stakeholder working group held by the Commission on March 19, 2019, and provided input, oral and written, in support of the process. We greatly appreciate the careful consideration given to our previous comments and would like to present the following additional comments for consideration.

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 Proposal for Decision

In general, we wish to emphasize that the Pilot should be structured in a manner to allow participants the greatest flexibility in terms of project selection and subsequent ability to recover their full EEC payments. To that end, we would discourage the Commission from relying excessively on existing programs (such as the existing ESA) as a guide in establishing the Pilot, except when that reliance is specified in statute. The legislature established the Pilot in large part because these existing programs are not meeting the needs of large commercial and industrial customers. This is borne out by the minimal participation in the existing ESA and Customer Credit Program. The legislature recognized the need to try a new approach; this would be undermined by a Pilot program that is structured simply as a larger version of the current ESA.

This interpretation is consistent with Section 2(j)(2), which makes it clear that the Pilot program is designed to be **different** than existing programs, in that the results of Pilot participants are to be compared to results based on the current model:

“The evaluation shall provide electric system results for the ESA Pilot Program and compare them to the electric system results that would have been obtained had the

Customer EEC Funds been expended pursuant to the electric energy efficiency programs otherwise authorized under 30 V.S.A. § 209(d).”

With regards to the specific provision of the Proposal, WestRock agrees in principle with the recommendations outlined in these following sections:

- A. Eligibility for ESA Pilot Program Participation
- B. Total Funds Available for ESA Pilot Program
- C. ESA Pilot Program Start and End Date
- E. Eligibility for Other EEU Services
- F. Eligibility for Certain Natural Gas Customers
- J. Program Accounting and Invoicing
- K. Customer Selection Criteria
- L. Annual Reporting Requirements
- M. Program Evaluation and Recommendations

We offer comments regarding the following sections:

D. Customer Energy Efficiency Charge Funds

WestRock requests a clarification regarding the timeframe of availability of Energy Efficiency Charge (EEC) funds for eligible projects. Specifically, is it the intent of the Pilot program to have the EEC funds paid into the program be available for the duration of the Pilot and available for use for the three-year duration? Under the existing ESA program, funds expire after two years. It is Westrock’s desire that the funds paid into the Pilot program be available for the duration, which we believe to be the intent of the enabling legislation. This will mitigate the delays in executing projects early on in favor of generating and approving Energy Management Plans. This will also address the confusion associated with funding availability associated with the current ESA program.

G. Scope of Allowed Activities and Program Design

WestRock has concerns about the proposed restrictions regarding the use of EEC funds, and that reliance on the structure of the existing ESA program may limit the effectiveness of the Pilot by hampering participant’s ability to fully recover 100% of their EEC payments. The clear intent of Act 150 was to establish an independent program that would allow qualifying customers to leverage 100% of the fees paid into the state’s energy fund. Historically, industrial customers like WestRock have not had the opportunity to leverage those funds to an acceptable degree or return, and the existing self-directed programs have not provided an attractive alternative. Applying the restrictions of the traditional EEU, ESA, or Customer Credit Program to the Pilot would accordingly not meet the goals of the new program.

Specifically, section 2(b)(1) of Act 150 establishes that participants may receive 100% of their ESA account balance:

“Notwithstanding any contrary provision of 30 V.S.A. § 209(d)(3)(B), the customer shall continue to pay its EEC and be able to receive an amount equal to 100 percent of its ESA account balance to pay for the full cost of projects that are eligible under subdivision (3) of this subsection; for technical assistance and other services from Efficiency Vermont; and for evaluation, measurement, and verification activity conducted by the Department or EVT.”

And section 2(b)(3) establishes the types of projects for which those funds may be spent:

“Notwithstanding any contrary provision of 30 V.S.A. § 209, the Customer EEC Funds may be used for one or more of the following: electric energy efficiency, thermal energy and process-fuel efficiency for unregulated fuels, energy productivity measures, demand management, and energy storage that provides benefits to the customer and its interconnecting utility. 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,,,”

The Proposal concludes in Section G’s discussion that:

“Thus, I conclude that customers in the ESA pilot program can use energy efficiency charge funds to complete one or more projects meeting the criteria identified in Section 2(b)(3). These self-administered energy efficiency efforts differ from the existing ESA program, where projects can involve only electric efficiency measures.

This appears to be consistent with the intent of Act 150. However, the Proposal goes on to state:

With respect to expenses eligible for reimbursement under the ESA pilot program, I recommend that the Commission adopt the program design approach developed for electric energy efficiency efforts under the existing ESA pilot program.”

We do not believe that this is consistent with Act 150, as it would place restrictions on efficiency projects that are not specified by the Act. The current ESA program guidelines are in EEU-2014-02 Order of 6/6/14 at Attachment A, referenced in the Proposal. This document identifies “qualified expenses” as being associated with four project categories: **Market-Driven, Retrofit, Planning, and Prescriptive** and

describes in detail each of the categories, including the “qualified expenses” associated with each. The relevant section of this document is provided below:

*“1. For **market-driven** projects, "Qualified Expenses" are defined as up to one hundred percent (100%) of the incremental costs associated with identifying, investigating, analyzing, designing, implementing, and/or installing societally cost-effective electric efficiency projects at facilities owned, operated, or controlled by the participating customer.*

a. For market-driven projects, incremental costs are defined as the difference between the actual cost of the equipment, installation labor, engineering, design, and commissioning and the cost of the equipment, installation labor, engineering, design, and commissioning that would meet the current design and construction standard practice (the "baseline cost").

b. These costs may include the customer's internal design and engineering labor, outside design, engineering and installation labor and equipment costs. However, costs other than actual incremental material and installation labor costs shall be treated as "Planning Expenses" as described below.

*2. For "**retrofit**" projects, "Qualified Expenses" are defined as costs associated with identifying, investigating, analyzing, designing, implementing, and/or installing societally cost-effective electric efficiency retrofit projects at facilities owned, operated or controlled by the customer and where the ESA is in effect.*

a. These costs may include the customer's internal design and engineering labor, outside design, engineering and installation labor, and equipment costs. However, costs other than actual material and installation labor costs shall be treated as "Planning Expenses" as described below.

b. "Qualified Expenses" for retrofit projects shall be capped at an amount equal to the contribution to total project costs that would result in an estimated 18-month simple payback on the customer's project investment. Payback shall be calculated based on anticipated energy and non-energy benefits, including, but not limited to, reductions in operating and maintenance costs, fossil fuel savings, electricity savings, environmental compliance cost savings, labor savings, and savings from avoidance of future equipment replacements.

*3. For "**Planning**" projects, "Qualified Expenses" may include:*

a. Upon initial ESA program enrollment, or upon approval of this Order for currently enrolled Customers, and not more frequently than every three years, up to 100% of costs associated with development of an "Energy Efficiency Investment Plan" (EEIP) intended to guide project implementation for the next three years, provided that the costs for an EEIP do not exceed the expected ESA Customer Available Funds accrued in first 12 months or \$10,000, whichever is less. An EEIP, at a minimum, shall consider:

i. Baseline energy usage and data including trends; analysis or plan for

analysis of the data;

ii. Establishment of energy performance goals; and

iii. Creation of an Energy Efficiency Action Plan to guide project implementation.

b. For a customer's internal or external project design and engineering expenses associated with a market-driven or retrofit project:

i. 50% of incurred expenses for project design and engineering may be considered Qualified Expenses and reimbursed through the ESA at the time they are incurred.

ii. The remaining project design and engineering planning expenses may be considered Qualified Expenses upon the completion of the project.

If the project has multiple phases, then the remaining 50% of project design and engineering expenses may be considered qualified expenses in proportion to the expected MWh savings associated with each phase of the project

4. For "Prescriptive" projects, defined as electric projects or measures where a prescriptive rebate offer is available from the Energy Efficiency Utility to non-ESA customers, "Qualified Expenses" are defined as the level of EEU prescriptive rebate available to non-ESA customers.

a. The customer's internal design and engineering labor, outside design, engineering and installation labor, and/or equipment costs not included as part of the prescriptive incentive are not eligible as Qualified Expenses for prescriptive projects.

b. If the project is a stand-alone retrofit project where prescriptive incentives are available to non-ESA customers, then the 18-month payback requirement in provision 2.b. above shall not apply to those measures with prescriptive incentives.

c. If the project is a mix of retrofit and market opportunity projects the 18-month payback requirement in provision 2.b above shall apply to non-prescriptive measures."

None of the four categories described above will allow participants to recover "***an amount equal to 100 percent of its ESA account balance to pay for the full cost of projects***" as per the requirements of Section 2(b)(1), especially in the case of industrial sized energy projects. While projects that fall within the provisions of the categories above may be appropriate for the current ESA program, these rules should not be used for the Pilot program as they would not allow for the 100% cost recovery provided for in Act 150; as such, adopting these provisions would be contrary to the Act.

H. Evaluation, Measurement, and Verification

It is clear to us that the project cost effectiveness screening will be based upon the customer's energy portfolio (as the current statewide effectiveness test), that the level of evaluation will be as specified in Section 2(c)(2), and that one portion of the Pilot program's evaluation will be to compare the Pilot's electric system results with the results that would have been obtained had the customer's EEC funds been expended under an existing program. This shows the intent of the Pilot program was not to replicate the current ESA model, but to apply a different approach. This new program was intended to broaden the qualified energy uses, expand the definition of eligible project categories, and specify how those projects are to be funded and evaluated. The goal being to determine, by experiment, how well Pilot participants can manage their own EEC funds regarding energy.

Section 2(c) of Act 150 describes the methodology for the evaluation, measurement, and verification for the Pilot program as follows, and is specific that this process should be geared towards the customer:

“In its rule or order under subsection (b) of this section, the Commission shall establish a methodology for evaluation, measurement, and verification of projects implemented under the pilot that is consistent with the requirements of 30 V.S.A. § 218c and that includes cost-effectiveness screening that values energy savings across the customer's energy portfolio and non-energy benefits such as economic development. As used in this subsection, “economic development” includes job creation, job retention, and capital investment.”

WestRock requests that the Board clarify what, if any, adjustments to the proposed “cost effectiveness screening” tools need to be made to allow project selection based on the customer's energy portfolio.

I. Energy Management Plans

WestRock requests that the Commission outline in detail the role Efficiency Vermont will have with the development of the customer's Energy Management Plan. In the discussion section of section H the proposed language states the following:

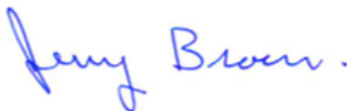
“The Commission has long required energy efficiency providers over which it has jurisdiction to make decisions regarding which energy efficiency programs and measures to implement based on the societal cost-effectiveness test.”

Based on the information we have provided in response to other sections, we wish to reiterate that we do not believe that the “societal cost-effectiveness test” is appropriate for a Pilot program which is intrinsically based on maximizing efficiency returns for **individual** participants.

However, with the proposed language in mind, is it the Commission’s intent that Efficiency Vermont (EVT) have a role in deciding which customer projects will go forward as part of the Pilot? WestRock’s interpretation of the statute is that any project that fits within one of the specified allowable categories is eligible for Pilot funds. If, EVT is to have a role in deciding which projects are eligible, is there an accepted process in place to resolve differences between the customer and EVT regarding the Energy Management Plan?

Again, we appreciate the opportunity to provide these comments, and offer them in the spirit of crafting a program that will be the greatest benefit to Vermont. We are happy to answer any questions or expand on any of the points noted above or in our verbal comments. These may be directed to me at 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