INTERNATIONAL PAPER PRODUCTS CORPORATION

A Materials Lifecycle Management Company®

98 Sgt TM Dion Way
Westfield, MA 01085

October 14, 2008

Philip Giudice, Commissioner
Massachusetts Department of Energy Resources
100 Cambridge Street, Suite 1020
Boston, MA 02114

Dear Commissioner Giudice:

International Paper Products Corporation ("IPP") of Westfield, MA is pleased to submit these comments relating to Sections 32 and 93 of the Green Communities Act which establish financial incentives to existing and new generation units for replacing any amount of *"...its fossil fuel source with an equal to or greater portion of an alternative, paper-derived fuel source approved by the department of environmental protection through a beneficial use determination for the production of heat or power"* (Section 32) and *funding capital investments in new and existing generation units for the use of department of environmental protection approved beneficial use determination paper derived fuels manufactured by Massachusetts corporations."* (Section 93)

IPP feels these provisions are well considered in light of current economic and environmental realities. The Alternative Portfolio Standard (APS) is consistent with the goals presented in the "Background Document on the Proposed Regulation for the Renewable Energy Portfolio Standard, October 2001" which called for

- Decreasing pollution from existing power plants
- Diversifying the fuels used to generate power in or near our region
- Decreasing our reliance on fuels imported from other regions
- Moderating price volatility caused by reliance on imported fuels.

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Creating a financial incentive for new and existing facilities to use Paper Derived Fuel ("PDF") as a substitute for fossil fuels (or biomass) for power and heat production makes good, practical sense in the ISO-NE grid where the bulk of existing energy is created from fossil fuels. PDF, as a fossil fuel replacement, is an existing and practical technology which helps to meet Massachusetts' environmental and energy goals. In affording a credit for use of PDF and creation of a grant to install PDF combustion technology, the Legislature has recognized the challenges that even an existing alternative energy technology faces in its efforts to become a commodity.

By stipulating that the Massachusetts Department of Environmental Protection (MADEP) approves the PDF through its beneficial use determination (BUD) process, the Legislature assures the Commonwealth and its stakeholders that protection of the environment is not being compromised for economic gain.

There are three key points to consider in promoting PDF within the APS. First, manufacture of PDF is accompanied by a recycling/re-use activity. This is both an environmental and energy efficiency benefit. IPP is required to find new uses for 20% of the materials received in its Materials Lifecycle Management facilities. This re-use is consistent with the highest priorities of solid waste management (reduce, reuse, recycle) and is inarguably an energy efficiency measure.

Second, the MADEP BUD prevents high value, recyclable materials from being used as PDF. Materials suitable for PDF have little to no re-processing value and are historically disposed as solid waste. The BUD process requires PDF to be manufactured from specific, non-toxic materials with the entire operation subject to monitoring and annual reporting on recycling performance.

Finally, PDF has favorable fuel characteristics and must be used in permitted facilities subject to local, state and federal rules. IPP's PDF product, Enviro-Fuelcubes®, has been co-fired with both coal and Number 6 oil. With the financial incentives offered by the APS, PDF can compare favorably on a cost/energy basis with these fuels and thus become a desirable, locally derived energy source. The facilities using Enviro-

Fuelcubes® have monitoring, recordkeeping, and performance requirements and are subject to regulatory inspections and enforcement action.

IPP specifically asks the Department of Energy Resources to consider the following in its rulemaking process.

- Establish eligibility (emissions/efficiency) criteria for existing fossil fuel generation that can use PDF in a manner that is consistent with current requirements. An existing facility's operating permits set the standard for performance. Requiring an existing facility to meet more stringent efficiency or emissions standards based on a cleaner burning fuel (natural gas) and more modern design is a prohibitive path that diminishes the value of the APS intention. Consequently, this could prevent the benefits of an indigenous, non-fossil fuel energy source from being used in today's energy markets.

- IPP asks that the Dept. of Energy Resources recognize that PDF, as approved by the MADEP BUD process, is wholly eligible for APS credits. The attractiveness of PDF is in its superior heat value per unit mass over other available, market ready biomass fuels. PDF as manufactured by IPP is >75% biomass by caloric value. The balance of PDF's energy value comes from an inseparable combination of biomass polymers and petroleum derived carbon. There are acceptable, recognized methods available to monitor the biomass attributes of PDF on an ongoing basis. However, apportioning credit based on a biomass constituency only reduces market attractiveness for this fuel in facilities where it can be used to offset coal and oil usage now.

- A credit basis of $20.00/Megawatt Hour per unit of fossil fuel energy equivalent provided by PDF is appropriate for the current market conditions based on IPP's experience. This is an effective incentive to existing fossil fuel generation to make use of PDF in lieu of traditional fuels by reducing the front end costs of new technology implementation. A lesser value may not be effective in creating a margin over continued use of traditional fossil fuels.

- With regard to Section 93, the cost of capital to implement new PDF technology at existing fossil fuel generation units is variable and contains many direct and

indirect costs. The range of "new costs" a unit faces can include "hard", infrastructure installation, engineering evaluations and upgrades, environmental analysis and testing, public process efforts, permit modifications, and employee hiring and training. A grant range up to $2,000,000.00 for qualified facilities is appropriate based on IPP's research and experience with its customers.

Finally, the manufacture and use of PDF offers significant new "Massachusetts green jobs" creation in difficult economic times, reduced operating costs for the region's employers, recovery of valuable materials for recycling and re-use from disposal endpoints and an effective means of reducing coal and oil combustion in existing generation units. IPP is a "first mover" in this technology area and has brought a viable alternative fuel product to market. By affording market worthy incentives for use of PDF in lieu of coal and oil, Massachusetts is sending a strong message that it has begun solving our energy challenges now using existing, practical technology. This should be seen as a most desirable use of monies paid into the Alternative Compliance Payments (ACP) program.

Sincerely,

Mark A. Dupuis

Mark A. Dupuis,

President & CEO