Friday, 20 August 2021

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RE: Erving Paper Mills Comments on APS

Erving Paper Mills employs 130 people in the economically distressed region of Northern Central Massachusetts. We manufacture tissue grade paper rolls for a broad range of public health needs, including bath tissue and paper toweling. Our paper is made from 100% recovered paper and Green Seal™, a leader in the development of verifiable standards for environmental sustainability, has awarded certification to several finished products made from paper supplied by Erving Paper. Every day, we recycle 13 truckloads of New England office waste which would otherwise end up in landfills and we are one of the few remaining paper mills in the Commonwealth. We compete against international and domestic players on a volatile, price-sensitive, playing field.

We operate 24/7/360 and power and high-pressure steam is a primary and critical input for us. Historically, New England electricity prices have been much higher than those in other parts of the country where our competitors operate and this cost differential came to a head in 2015, when Erving faced an existential decision. Either continue to purchase a truckload of #6 oil each day to fire our boiler and $500,000 of electricity each month from the grid to power our pumps, motors and machines, a decision which would have had us struggling to stay in business, or borrow and invest significant capital into a 5.5 MW Solar turbine. With the turbine installation, we could survive, but our financial model revealed that only with DOER Alternative Energy Credits priced around $20/AEC would the financial decision make sense for the long run. We made this investment with the understanding that AEC pricing would remain relatively level for the foreseeable future.

This choice was a wise one. AECs not only supported the financial viability of the capital project, it allowed us and our environment to reap the benefits of an efficient, ecologically-sound CHP installation. However, with more years of debt to repay combined with the recent near collapse of the AEC market, our viability is once again being challenged. The CHP decision, combined with appropriately priced AECs, illustrated several things for us:

1. Erving's viability had been restored with the shift to CHP and the support of appropriately priced AECs. With the collapse of the AEC pricing, the debt from the CHP financing is overwhelming and once again our future is uncertain.
2. Erving's vision is to continually reduce our impact on our planet. Shifting away from oil to natural gas played a huge role towards pursuing that. CHP is a pathway to reduced carbon for many companies. By switching away from Grid electricity and #6 oil, we have reduced our carbon footprint by 18%. We believe that reducing one's carbon footprint is one of DOER's primary objectives and we likely would not have made this investment without properly priced AECs.
3. Our CHP system allows us to operate with increased power stability. Before CHP, we would suffer from unscheduled power outages which resulted in expensive machine damage and delivery schedule interruptions. With CHP in place, these occurrences are now rare. When they do occur, an additional investment that we made in a black start generator allows us to island and "ride-through" most of these remaining upsets, ensuring maximum machine uptime and minimum schedule interruptions.
4. Our CHP runs on natural gas, the most efficient fuel source available to power our plant. We know that you are aware that CHP efficiency exceeds 80%. This efficiency is a critical piece of a healthy energy portfolio.
5. CHP allows us to generate power on site, precisely where the power is needed. This eliminates the transmission and distribution losses that come with centralized power plants.

A critical element to Erving's decision to finance and install CHP was the commitment by DOER to maintain an appropriate AEC price. With an appropriate price, our CHP system is a success. Without it, we are once again at a competitive disadvantage compared to our competitors, who often run dirtier and less efficiently than we do with CHP. As long as plants like Erving Paper Mills continue to provide CO_2 reductions, CHP should remain a technology eligible to earn credits under the APS program and the price of those credits should reflect the value of CHP's contribution to the Commonwealth's effort to reduce carbon emissions and keep companies like mine competitive.

Sincerely,
Erving Paper Mills

Morris Housen
CEO & President